

The Joint Office, Relevant  
Gas Transporters, shippers and other  
interested parties

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Dear Colleague

**Re: Consultation on “The Entry Capacity Transfer and Trade Methodology Statement”.**

Special Condition C8D of the Authority’s proposals for National Grid’s Gas Transporter Licence in respect of the NTS<sup>1</sup> sets out obligations to prepare and submit for approval by the Authority capacity trade and capacity transfer methodology statements setting out the methodologies that National Grid NTS will use to facilitate capacity trades and capacity transfers. In addition, National Grid NTS is obliged to consult with relevant shippers prior to modifying the methodologies (National Grid NTS considers that it would be prudent to consult on the initial development of the methodologies). National Grid NTS considers that it is appropriate to prepare a single document to meet these proposed obligations. This letter therefore notifies shippers of the proposed Entry Capacity Transfer and Trade Methodology Statement (T&T) and invites views on the proposal.

Due to time constraints, specifically the intention to have capacity transfer and trades processes in place prior to winter 2007/08, National Grid NTS is consulting on its proposed T&T prior to agreement and implementation of its Gas Transporter Licence. Should the specific conditions relating to capacity transfers and trades be significantly at variance with National Grid NTS’s expectations then this statement may be withdrawn or amended (which may require further industry consultation). Consultation on this statement should not be seen as acceptance by National Grid NTS of the proposed licence conditions.

A copy of the proposed T&T methodology statement accompanies this letter and should be read in conjunction with the associated UNC modification proposals<sup>2</sup>.

Although we are seeking views on the entirety of the statement we would appreciate comments on one particular issue.

When a capacity transfer (of unsold capacity) is being considered in accordance with the proposed methodology it may be identified that more capacity is required from the donor ASEP than is made available at the recipient ASEP. We would like to know whether an upper limit should be placed on the exchange rate (i.e. if more than “n”

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<sup>1</sup> Transmission Price Control Review: Third consultation on draft licence modifications (Gas transmission). Ref 95/07.

<sup>2</sup> Introduction of the AMTSEC Auction (mod 133) and Transfer of Sold Capacity Between ASEPs (unnumbered). These can be found on the Joint Office website at [www.gasgovernance.com](http://www.gasgovernance.com)

units of capacity are required from the donor to create one unit at the recipient should the transfer be prohibited? If so, what should the limit be?

Responses to the proposed T&T should arrive at National Grid by 17:00 on 30<sup>th</sup> May 2007. They should be sent to:

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Alternatively they can be sent by e-mail to:  
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Yours sincerely

Andrew Fox