



14th June 2007

Andrew Fox
NG House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

RE: Excelerate Energy's Response to Consultation on the Entry Capacity Substitution Methodology Statement

Dear Mr. Fox,

Excelerate Energy appreciates the opportunity to comment on this methodology, and have two specific points of note.

The first relates to the impact of this Methodology on the availability of capacity in the Northern Zone. We believe that the allocation of the Northern Zone baseline reduction that was implemented by Ofgem as part of the TCPR was essentially arbitrary. While St. Fergus received a baseline of 155 MCMD and Teesside 33 MCMD, it would have been equally valid to have had Teesside at 53 MCMD and St. Fergus at 135 MCMD. As we understand it, any constraint during the winter period is south of Teesside on infrastructure used by gas flowing into both Teesside and St. Fergus. Given this, we are concerned that any unused St. Fergus capacity should not be transferred to, for instance, Isle of Grain Phase 3, meaning that Teesside would no longer be able to have access to unused Northern Zone capacity (which it may be able to access as a result of the possible obligation on NGG to provide transfer and trading of entry capacity).

The second point relates to NGG's Incremental Entry Capacity Release Methodology, which requires that all baseline capacity be sold for an 8 year period in order for incremental capacity to pass an economic test. Given this methodology, it does not appear economically possible in practice for Excelerate to secure long term capacity at Teesside to sufficiently increase Teesside's capacity baseline. We suggest that the Entry Substitution Methodology should include a mechanism by which capacity not required at St. Fergus or Glenmavis can be transferred to Teesside with an amended economic test that takes into account the fact that no investment is required. Please note that if this comment is more appropriately given in relation to the IECR methodology, then please take it into account in relation to that as well).

Sincerely,

A handwritten signature in black ink that reads "Rob Bryngelson".

Rob Bryngelson
Chief Operating Officer and Executive Vice President