

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

Box.transmissioncapacityandcharging@ukngrid.com



Centrica Storage Ltd
Venture House
42-54 London Road
Staines
Middlesex
TW18 4HF

Telephone 01784 415 300
Facsimile 01784 415 318

www.centrica-sl.co.uk

28 August 2007

Entry Capacity Transfer & Trade Methodology Statement Version 0.5

Dear Martin,

In response to your consultation on the Entry Capacity Transfer & Trade Methodology Statement Version 0.5 sent on 30 July 2007, we would like to offer the following comments by paragraph:

8) It would be helpful if the document better described which costs (or risks) are being assessed to enable us to place such costs in the correct context. For example: If the mechanism caused additional compression to be needed then there could be an increase in costs to NGG however the benefit to the market of additional gas delivery may outweigh the compression cost.

13 a) This paragraph is ambiguous / incomprehensible.

13 b) This paragraph is ambiguous / incomprehensible.

20 a) Capping the NAM at 150% is contra the objectives by potentially preventing effective use of the NTS.

20 a) Use of the minimum historical demand for a month may cause the method to be driven by exceptional circumstances. We suggest that minimum demand for a typical (or perhaps 1 in 10 warm) will give more consistent and predictable results.

20 b) Where flow has historically been above the NAM then the NAM should be increased to that flow, unless another constraint reached first.

20 b) The confidential limits do not need to be disclosed in order for NGG to use this methodology so could be used.

20 b) What does "constraining limit" mean and why can it not be used when NGG do not need to disclose confidential arrangements to implement this methodology.

21 This gives a very wide capture of zones and does not consider how closely connected ASEPs are.

21/22 The definition and zones published in the TYS are not congruent.

24 – 26 This methodology to determine merit order is most likely to result in the zone with the least available capacity to be placed first. This could result in absurd results where locationally close and excess capacity is transferred after locationally more distant and more limited capacity. The suggested methodology will work better where capacity is to be sterilised from the donor asep however it may not result in the most economic exchange rates in locations where capacity is close and freely available.

28 This statement will cause within day flow variation patterns to have precedence over Entry capacity. This means that users of system flexibility and line pack (who get the benefit without charge) could cause system capacity to be limited. This would not be efficient where NGG have the ability to limit the flow variations by other means.

Supplementary Information note dated 23/08/2007

In response to the supplementary information note dated 23/08/2007, we welcome the timely publication of this information and the opportunity to provide comments well in advance of the AMTSEC auctions.

We note, with some surprise, that NG NTS propose a Zonal Allocation Maximum (ZAM), for the period November through to March 2008, of 99.5mcm/day for the Easington Zone; this being just 1.5mcm/day above the Easington ASEP baseline.

Unfortunately, given the 'black box' nature of the modelling involved with deriving the ZAM we are unable to provide specific comments on the model parameters and assumptions. However, with regard to the three principal reasons provided as to why the ZAM is much lower than the aggregate baselines we offer the following comments:

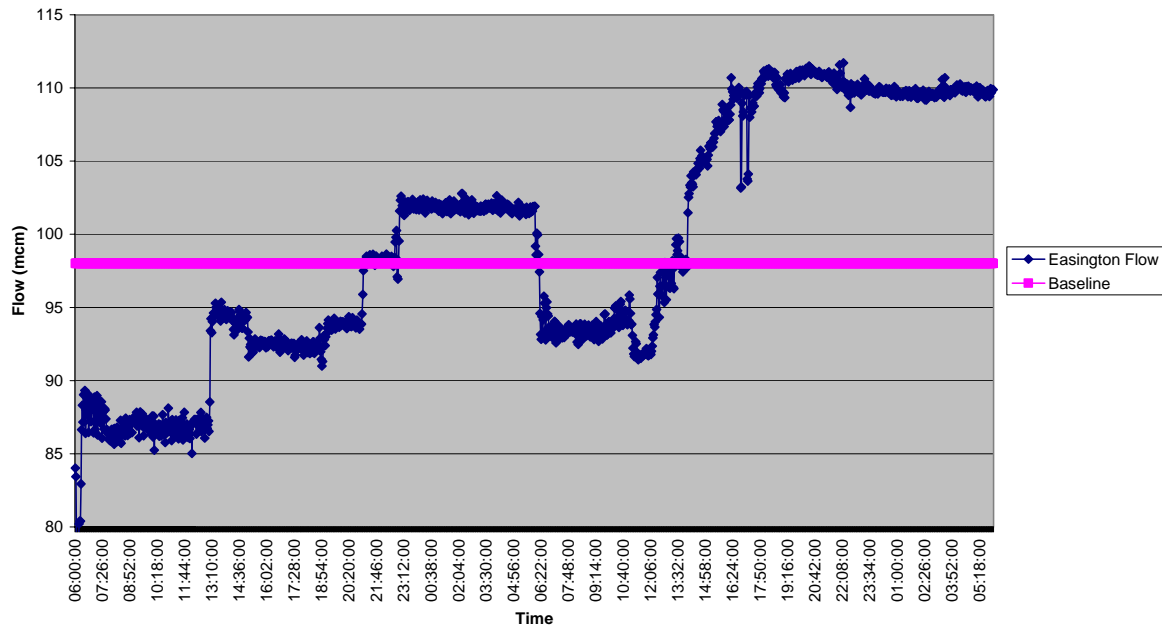
1. There is a local constraint at the Easington ASEP.

Whilst we accept there will be local constraints at the Easington ASEP evidence and our observations suggests that these constraints would allow a ZAM significantly in excess of the 99.5mcm/day, for example:

Easington nodal maxima has been previously modelled at 135 mcm/day and 116mcm/day which we understood took into account local constraints and demand sensitivities.

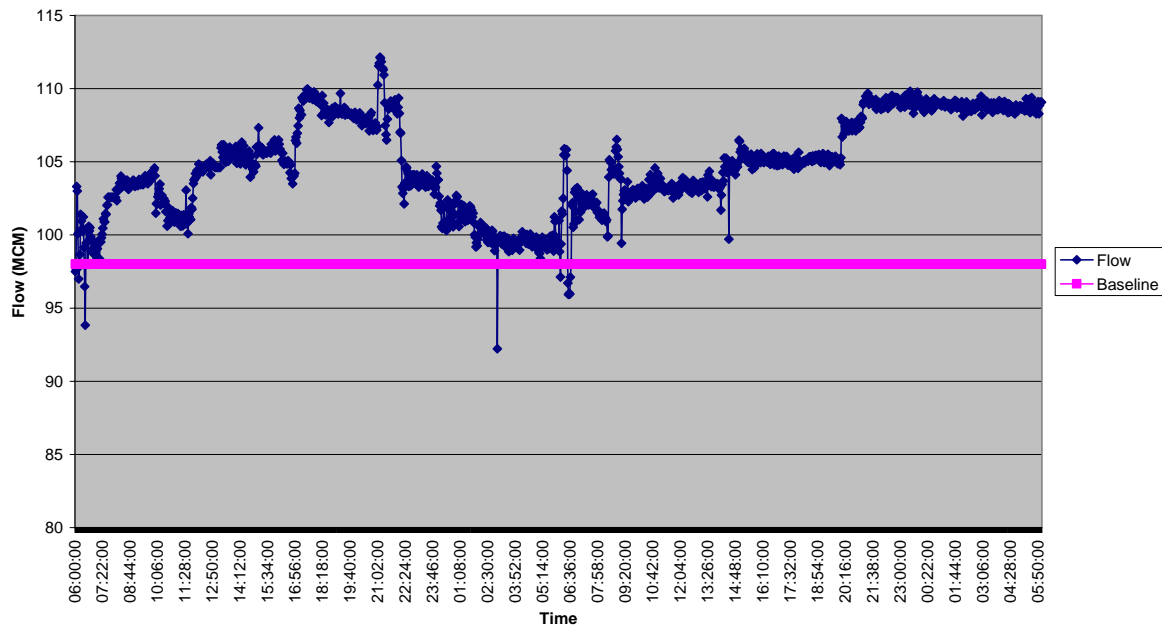
We have observed flows through the Easington ASEP much higher than 99.5mcm/day. This has been for extended periods and where system demand was well below peak. A good example of high flow was 15 February 2007 when demand was 358mcm, the high flow period also co-incides with the period when di-urnal demand would be at it's lowest.

Easington Flow, 14-16 February 2007



We would also like to point out gasday 8th February where demand was 435mcm, flows were not so high but were consistently above 98.5 all day.

Easington Flow 8-9 Feb 2007



We also believe that this level of flow would have been present on more days of last winter if NGG had refrained from using capacity interruption and Terminal Flow Advice on days where feeder pressure was well below maximum operating limits.

2. Other ASEPs within the Easington Zone have different flow patterns to the Easington ASEP.

Whilst it may be reasonable to suggest a degree of separation of the flow patterns between the Easington ASEP and the Hornsea, Hatfield Moor and Garton ASEPs, we suggest that to propose that Easington ASEP flows are virtually mutually exclusive (as a ZAM of 99.5mcm/day suggests) appears simply wrong. Intuitively, at the very least, changes in expected flows from Hornsea and Hatfield Moor and a proportion of the Garton ASEP would allow additional capacity to be moved to

Easington. For example, in the extreme if all Hornsea entry capacity were to be surrendered to only increase Easington ASEP by 1.5mcm/day would appear incompatible with NG NTS' obligations under its licence.

This rule also appears to sit uncomfortably with NG NTS' previous proposals to aggregate the Easington Zone entry capacity baselines into a single zonal baseline.

3. Potential higher Teesside obligated baselines

We are unclear as to how movement of baseline in the Northern triangle will have a material impact on aggregate flows out of the Easington Zone. Intuitively, if Teesside increased and St Fergus decreased, whilst maintaining similar risk, this would have no impact on flows from the Easington Zone.

In conclusion we believe that, given the importance of the Easington ZAM and the 'black box' nature of its calculation, we strongly urge that an independent audit is carried out to ascertain the accuracy of the proposed 99.5mcm/day and to provide sensitivity analysis around this figure to ensure that no capacity within the Easington Zone is sterilise this winter.

We further suggest that Ofgem sponsor such an audit and that this is carried out at the earliest opportunity to allow potential participants in the forthcoming AMTSEC auctions time to adequately consider their positions.

Yours Sincerely

Roddy Monroe
Centrica Storage Limited

c.c. Ninke Hendriks (Ofgem)