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Office of Gas and Electricity Markets
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7th September 2005

Dear Mark,

**Uniform Network Code modification proposal 0043 “Limitation on offering for sale
unsold capacity”**

Thank you for the opportunity to comment on the Ofgem letter of 25 August 2005, Statoil (UK) Limited (STUK) would like to make the following comments.

STUK were not supportive of this modification and are still concerned about the implications of altering the level of baseline capacity available within a price control. It is difficult to see how such reductions in capacity availability will improve the robustness of the auction process.

Since the implementation of Network Code modification 0500 ‘Long Term Capacity Allocation’ Transco have had a difference between the amount of time they said they needed to build physical capacity and the window between the time of release and the year of delivery. In the network code this has only ever been a minimum of 2 years, within the delivery time previously required by Transco and well within any new time required given more onerous planning constraints.

It is not clear that, given Transco were aware that the level of baseline capacity exceeded the physically deliverable quantities of capacity available at most terminals when they accepted their price control in 2002 why they should now be allowed to alter this level when these rules have the potential to have an impact.

The mechanisms suggested by Ofgem may provide some comfort as to the reasons for such a restriction but our essential objection remains that such a change should not be implemented because of its undermining effect on the long term auction.

In its letter Ofgem stated that it had asked Transco to inform industry participants of the terminals that could be affected by this modification proposal. A note was issued by Transco



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but this did not contain any information on the terminals affected. This has not aided the understanding of Transco's position or the impact their potential buy back actions could have.

STUK remain of the opinion that this modification should not be implemented as it is clear that it will have a negative impact of the auction process and shippers who have made decisions based around the existing mechanisms and baseline levels available.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

Robert Cross
Regulatory Affairs Manager



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