

Mark Feather
Associate Director, Networks
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

7th September 2005

Dear Mark,

Uniform Network Code – Ofgem’s initial views on Modification Proposals 0036 and 0043

Total Gas & Power Ltd (TGP) would like to comment on some of the points made in your recent letters re the above.

Modification 0036

In the consultation process we offered qualified support for this proposal, recognising that there may be circumstances where Transco NTS are unable to offer capacity within the 3 year lead time, for reasons outside the control of the transporter. We support your view that there are some shortcomings with the proposal and agree that, in order to give some credibility to the long term auction process, there should be a formal process through which Transco NTS would require the Authority’s consent before it would be able to adjust the lead times for the provision of incremental entry capacity.

With respect to how this is introduced, our ranked preference would normally be through a change to the UNC, rather than an amendment to the IECR or via a change to the NTS GT licence. That said, our priority at this time is to progress a solution that would allow the long term auctions to continue with the minimum of delay. Whichever solution is adopted, it is important that the industry is fully consulted on the detail of the proposed method.

Once an agreed process is in place, we do not believe that, assuming the Authority has full visibility of the capacity that Transco NTS would intend to offer in any auction, industry participants actually need to be consulted on any such application by Transco NTS. In fact we believe that such a consultation would add little to the process, on the basis that industry participants would not necessarily have sufficient knowledge to question the grounds on which Transco NTS are seeking to restrict capacity and that as such, it could only unduly influence the auction process.

Modification 0043

We originally opposed the implementation of this modification and, having read the Ofgem initial views letter, have seen nothing in this that would lead us to revise this opinion. The basic principles of the capacity process are that capacity up to baseline will be offered for sale in one or more auctions and that, where a decision has been taken to sell obligated incremental capacity this too would be offered in subsequent auctions where quantities remained unsold. These issues, together with the shorter term release of held back capacity and the buy back arrangements, were extensively discussed at the time of the development of the long term regime and have formed the basis for Shipper participation in all capacity activity since the implementation of the revised procedures and incentives as part of the current price control. For these rules to be now changed, particularly without



any commensurate change to the incentives or price controlled allowed revenues, is totally unacceptable.

Nevertheless, should the Authority be minded to approve the proposal, regardless of the points made by ourselves and the other respondents to the consultation stage, then it is essential that any changes to the capacity to be offered by Transco NTS are fully visible to, and approved by, the Authority prior to any changes being announced to the industry. As we have stated earlier re proposal 0036, we do not have a fixed view on the most appropriate formal process for ensuring that such prior approval by the Authority is effected, as long as we are consulted on the way such an application is to be processed. However, for the same reasons as given for modification 0036, we would not expect to be consulted on the content of any individual application made by Transco NTS. This is important as it would appear to be contradictory to your views expressed in your letter (paragraph 6, page 9 – “Ofgem’s initial view is that industry participants would need to be consulted on any application that Transco NTS may wish to make”).

For the avoidance of doubt, we would finally like to confirm that the introduction of such formal process into the modification, in order for it to be deemed to be acceptable by the Authority, would not change our own view as to the acceptability of the modification. Our opposition to the proposal would remain.

Please do not hesitate to contact myself if you should wish to discuss this matter further prior to issuing the requested confirmation.

Yours sincerely

Steve Ladle

Head of Regulation

Tel: +44 (0)20 7318 6814

E-mail: steve.ladle@total.com

