



Our date
2009-11-18

Our reference

Administrative officer
Shelley Rouse

Your date

Your reference
120/09

Internal

Statoil (UK) Ltd

Attn.: Paul O'Donovan, Head of Gas Transmission Policy
Ofgem
9 Millbank
SW1P 3GE London
United Kingdom

Dear Paul,

RE: User Commitment for National Transmission System Quarterly Entry Capacity: Initial Impact Assessment on modification proposals

Thank you for the opportunity to comment on the above consultation.

As members of Review Group 0221 Statoil (UK) Ltd (STUK) has been involved in the discussions and developments relating to the issue of Entry Capacity User Commitment.

As stated in its response to 0246 and its alternates, STUK does not believe that any of the proposals strike the appropriate balance between capturing an effective User commitment and mitigating the risk of shipper default on the community. The cost of implementation combined with providing the required level of financial security far out weighs the benefits sought.

The results of the impact assessment undertaken by Ofgem appear to support his view. The impact assessment fails to demonstrate that any of the 3 proposals if implemented, would provide protection to the industry of user default and recognises that the high costs associated with the proposals would require significant volumes of capacity to be defaulted before they were justified.

The majority of the members of review group 0221 believed that a change to the UNC would not offer a solution to the issues high lighted with the current regime and thought that a change to the licence could potentially offer a better solution, one which would not impose unnecessary costs on the industry and would place an appropriate level of risk on the transporter.

STUK welcomes Ofgems inclusion of alternative non-unc solution in the impact assessment and believes that there is merit in a number of the solutions suggested, however STUK would like to offer its support to the use of an Income Adjusting Event (IAE), should a User default. Although there is the potential for some revenue instability through the use of IAE, the occurrence of such an event would be rare and prevent NG NTS making windfall gains without incurring additional risk.

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

Kind regards

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