

Our date  
22.07.2010

Our reference  
NTS Charge setting review

Administrative officer  
Shelley Rouse



Statoil (U.K.) Limited  
1 of 3

Richard Miller  
Gas Transmission Policy  
Ofgem  
107 West Regent Street  
Glasgow  
G2 2BA

22 July 2010

Dear Richard,

Re: Review of NTS charge setting arrangements – Impact Assessment

Thank you for the opportunity to comment on the above impact assessment.

As a holder of long term NTS Entry capacity Statoil is concerned over the current level and application of the TO commodity charge and the potential cross subsidies this creates. We also have concern over the impact of increasingly high transportation charges on security of supply and the impact these charges have on new entrants. We welcomed the work undertaken by National Grid in this area and were active members of the review group discussing potential changes to the UK charging regime.

Statoil are disappointed that Ofgems initial view is to veto Charging methodology proposal GCM19 and reject UNC modification proposals 0284 and 0285. We are also disappointed that despite Ofgem participation in the Entry Capacity Review Group meetings, concerns over the proposals particularly the view that removal of the within day zero prices clearing auction would mean a move away from cost-reflective pricing was not expressed at an early stage, before UNC modifications and charging proposals were finalised and the concerns could have been addressed.

During the review group discussions it was widely accepted that a phased approach to amending the NTS Entry capacity charge setting arrangements would be required to fully implement all of changes necessary to allow NG NTS to appropriately recover auction revenues. Although the proposals in GCM19 and UNC mods 0284 and 0285, would not have made dramatic changes to the current issues, there would have been some benefits (National Grid have demonstrated that the revenue from sales of the discounted products would have been

Company  
Statoil (U.K.) Limited  
Registered Number  
1285743

Office address  
One Kingdom Street  
London W2 6BD  
UNITED KINGDOM

Telephone  
+44 (0) 20 3204 3200  
Telefax  
+44 (0)20 3204 3600

Internet  
[www.statoil.com](http://www.statoil.com)

Place of Registration  
England

£135 million, if it had been sold at the reserve price), and would have acted as the initial stage in series of planned proposals.

Without change to the current NTS charge setting arrangements we remain in the position where there is little incentive for players to book NTS Entry Capacity in the longer term resulting in the majority of UK entry capacity being bought in the very short term and at zero cost. This trend is creating an ever increasing TO commodity charge as National Grid attempt to recover its Entry Capacity auction revenue allowance.

Players which choose to buy capacity in the long term, giving National Grid essential long term signals and those who have no choice but to book long term, particularly new entrants or those triggering investment, are then subject to both the Long Term auction price of the capacity and the TO commodity charge, effectively paying twice.

Statoil believe that this arrangement creates cross subsidies in the regime with long term Entry Capacity holders subsidising those buying capacity in the day ahead and within day markets. It also impacts competition and discriminates against new entrants who have no choice but to book capacity in the Long Term regime and be subject to double charging.

Statoil has concern over the impact of UK Entry Capacity charging arrangements on security of supply and has stated on a number of occasions that the volume of gas it delivers to the UK is dependant on the offtake on European long term contracts. The competitive and fluid nature of the UK gas market makes it a perfect destination for additional volumes of gas providing that the regulatory regime remains favourable. There is a risk that the high level of the TO commodity charge could make the UK uncompetitive with the rest of Europe, if it became more expensive for gas to be delivered to the UK. This could therefore prevent additional supply volumes being delivered, potentially at times when it is most needed.

Whilst Statoil accepts that the implementation of GCM19 and UNC modifications 0284 and 0285 would not have had a dramatic impact on the TO commodity charge, there would have been some benefits to the regime. Perhaps most importantly, these changes would have signalled to the market that concerns over the NTS Entry Capacity regime were being considered and addressed provided the stepping stone for future regime amendments.

Our date  
22.07.2010

Our reference  
NTS Charge setting review

Administrative officer  
Shelley Rouse



Statoil (U.K.) Limited  
3 of 3

Statoil believe that by rejecting the proposed charging methodology and associated UNC modifications, and in effect retaining the current Entry Capacity charging arrangements for another year, there are increased risks to new investments and security of supply.

If you have any questions, please contact me on the below numbers.

Kind regards

\*

Shelley Rouse  
UK Regulatory Affairs Advisor  
Statoil (U.K.) Limited  
srouse@statoil.com

\*please note that due to electronic transfer this letter has not been signed.

Company  
Statoil (U.K.) Limited  
Registered Number  
1285743

Office address  
One Kingdom Street  
London W2 6BD  
UNITED KINGDOM

Telephone  
+44 (0) 20 3204 3200  
Telefax  
+44 (0)20 3204 3600

Internet  
[www.statoil.com](http://www.statoil.com)

Place of Registration  
England