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22 November 2006

Dear Jan

ExCR Consultation

With reference to the consultation paper issued on October 20, we have the following comments. This consultation has been raised by National Grid as part of its Licence obligations to gain approval from the Authority for Capacity Release Methodology Statements. Wales & West Utilities is engaging in this process as one part of the debate on Enduring Arrangements. However this is, by necessity, being carried out in isolation from any proposals from Ofgem on DN incentives. WWU will be responding to Ofgem regarding the changes to DN risk brought about by this document and the Enduring Arrangements.

Section 1: Release of NTS Exit (Flat) Capacity

We consider a commitment of 4 years payment for capacity, in a "take or pay" type of arrangement, is beyond that required by National Grid NTS to demonstrate User Commitment and to satisfy Ofgem of the necessity of investing in the NTS. This applies particularly where capacity can be made available without investment (capacity that would previously have been below the baseline).

We understand that the 14 months notice for Capacity Surrender is based on the annual planning process however we would encourage National Grid to utilize released capacity to avoid unnecessary expenditure. Where this can occur, particularly through the Annual process, the User surrendering capacity should be released from the requirement to pay the Capacity charges during the 14 months notice period.

We consider that Option 2 – commitment based on price at time of application – is preferable to Option 1. Option 2 allows a DN to have some certainty about the cost of capacity procured from National Grid in carrying out forward planning. The inclusion of 1.13 prevents National Grid from over recovering.

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

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Section 2: Release of NTS Exit (Flexibility) Capacity

WWU notes that National Grid has amended the zonal maxima for the product as shown in Appendix 2 but does not have any further comments about this section.

If you require any clarification about the points raised, please contact me on 029 2027 8549 or liz.spierling@wwutilities.co.uk.

Regards

Liz Spierling
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