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Dear Menno,

## **National Grid response to GRI NW position paper – Exploring the feasibility of implicit allocation in the (North West) European gas market**

We welcome the opportunity to respond to this consultation and would like to thank the NMA, and the other contributing NRAs, for the work carried out in exploring this conceptual issue.

National Grid, through National Grid Gas plc (“NGG”), owns and operates the gas transmission system in Great Britain and four of eight gas distribution systems in England. National Grid is an active participant of ENTSOG and supports the response submitted by ENTSOG to this consultation. In addition, we would like to take the opportunity to submit a response on behalf of National Grid Gas plc.

In general, whilst we welcome the release of this consultation we question whether the time is currently right for developments of this type to be widely considered. The European gas industry, of which we are part, is currently part way through an unprecedented period of change. The 3<sup>rd</sup> Energy Package is changing the way that the energy markets are structured and the resulting European network codes will change the way the markets operate – particularly with regards to cross border trading. Many of the apparent problems that the study on implicit allocation seeks to address are the same issues that the European codes are also seeking to solve through the mandatory process. Given this mandatory process and the considerable resources that are currently deployed by all parties, including ourselves, other TSOs, NRAs and other stakeholders, we believe that the merits or otherwise of implicit allocation in gas should be judged against a post European code market rather than the current market.

Specifically we consider that the CMP guidelines and the European codes for CAM, balancing and tariff methodologies need to be fully implemented and with sufficient time for the market to have gained experience of the new processes for the full benefits to have been realised before an informed assessment can be made about other measures that may be beneficial.

The considerable effort and focused use of resources that will be required over to next 4 to 6 years to deliver the development and full implementation of the European codes and other mandatory

initiatives should not be under estimated and leave little room for additional non-mandatory major projects such as an implicit allocation pilot.

Please do not hesitate to contact me if you require any further clarification or answers to your specific questions.

Yours sincerely,

**Chris Logue**