

**TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0636**  
"Clarification of Gas Supply Emergency Claims Review Criteria"  
Version 1.0

**Date:** 13/06/2003

**Proposed Implementation Date:** 01/09/2003

**Urgency:** Non-Urgent

**Justification**

Discussions within CMIWG (Commercial Market Implications Work Group) of the Gas Industry's Emergency Committee have led to the development of principles by which the claims reviewer would adjudicate claims made by Users for financial loss as a result of a Network Gas Supply Emergency (NGSE).

This Modification Proposal will allow consultation to take place specifically on the claims review criteria.

**Nature of Proposal**

It is proposed that in the event of a NGSE, claims for financial loss (existing paragraph Q4.2.5) would be subject to the following principles:

- Allowed costs should be based on an appellant's total costs and not the cost of an individual source;
- Intra-group transfers should be deemed to be made at market price;
- "Windfall gains" should be netted off wherever possible;
- Reasonable administrative/legal costs of making a claim should be allowed, but subsequent costs of pursuing a claim should not be;
- The above costs should be limited to 5% of the net claim; and
- Net income from the value of electricity sold less cost of gas shall be taken into account in the case of a power station "directed on" under PGCA rules.

Transco recognises that previous comments have been divided in respect of the sixth principle listed above and will encourage specific views on this principle within the consultation responses.

**Purpose of Proposal**

Providing clear criteria for the evaluation of claims would increase the confidence with which Users would make gas available to the System in the event of a NGSE.

This is consistent with the securing of effective competition between relevant shippers.

**Consequence of not making this change**

The lack of principles underlying the claims process would perpetuate the present cost exposure facing Users in the event of a NGSE.

**Area of Network Code Concerned**

Section Q: Emergencies

**Proposer's Representative**

John J Bradley (Transco)

**Proposer**

Nigel K Sisman (Transco)

**Signature**

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