



Beverly Ord

BP Energy
Witan Gate House
500-600 Witan Gate
Milton Keynes
MK9 1ES

Julian Majdanski
UNC Distribution Workstream Manager
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

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Direct: 01206 752019
Mobile: 07799 740739
Email: ordba@bp.com

Dear Julian,

UNC Modification Reference Number 0005(0726) - Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter

This letter is BP's formal submission in response to the Draft Final Modification Report (FMR) issued by the Joint Office on 7 July 2005. BP is supportive of the proposed modification.

With regard to the content of the draft report BP wishes to make the following points: -

Section 2 - 3rd paragraph. For new loads or changes in existing circumstances (increase in load or pressure) any system reinforcement identified would be chargeable in line with normal practice as covered in the workstream report: "Shippers attending the Workstream felt that, consistent with the existing siteworks process, it would only be appropriate for Transco to pass on costs in the case of new loads, or existing loads seeking to change the service received. No costs should be faced in the case of loads seeking to formalise the continued provision of an enhanced pressure service". Thus, no "unrecoverable" costs should exist as suggested in the text.

Section 4a - 1st paragraph. For the formalisation of existing arrangements the system must already be operating in an appropriate manner to provide the required pressure and as such only the continuation of the present operating conditions is required to maintain the pressure.

Section 4b - 1st paragraph. It is not clear what additional operational costs will be incurred. These supply points do not generally have pressure monitoring equipment installed and it is not part of this proposal to install such equipment. Therefore, there should be no change in operational costs. The costs of administering the proposed Ancillary Agreements can best be minimised by having the document drawn up between the relevant Transporter and the end consumer, both of whom have longer-term interests in the agreement than shippers and suppliers who change more frequently. We would also request that suggested costs need to be justified if they are to be included in the Final Modification Report.

BP Energy is a trading name of
BP Gas Marketing Ltd
Registered in England and Wales No. 908982
Registered Office:
Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP Energy is a trading name of
BP Oil UK Ltd
Registered in England and Wales No. 446915
Registered Office:
Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

Section 4d - 1st paragraph. This statement does not constitute “analysis” but is merely a holding statement and as such has no value.

Section 5 - 1st paragraph. It could be argued that Transporters are already exposed to contractual risk as an end consumer could argue that the setting of the meter regulator (either by the Transporter or with their agreement) to higher than the minimum legal pressure constitutes agreement to provide such a pressure. Otherwise there could be safety implications of the regulator not operating properly under some operating circumstances.

Section 6 - 1st paragraph. Should the Ancillary Agreement be between the end consumer and the Relevant Transporter there would be no requirement for any UK Link identifier.

Section 7 - 1st paragraph. Should the Ancillary Agreement be between the relevant Transporter and the End Consumer, Users’ involvement in the process could be minimal. Users would also regard their role in supporting the end consumer in the development, agreement and management of an Ancillary Agreement for Enhanced Pressure as an opportunity to develop the existing relationship with that end consumer.

Section 8 - 1st paragraph. Consumers would also have the option of formalising the enhanced pressure arrangement or accepting it on a best endeavours basis that could be withdrawn under the normal terms of the UNC.

Section 10 - Advantages. Provides choice for end consumers as to whether they wish to receive enhanced pressures on a formal or informal basis. Reduces the risk associated in new plant investment by removing the risk of additional plant purchases should the enhanced pressure be dropped, thus increasing the competitiveness of natural gas against other competing fuels. Minimises the proliferation of supply points utilising compressors or boosters to produce enhanced pressure at appliances.

Section 10 – Disadvantages, 4th bullet point. For existing sites the relevant Transporter has either set the meter governor to an enhanced outlet pressure or has approved such a setting. As an RPO they should have records of the enhanced pressures at which these governors have been set. It could be argued, therefore, that any costs in validating existing sites are a consequence of a weakness in their record-keeping and a challenge to their RPO status.

I hope that you find our comments helpful. If you would like to discuss them please contact me or Steve Mulinganie on 07990 972568.

Yours sincerely,

Beverly Ord
Regulatory Affairs