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Dear Julian

9 August 2005

We welcome the opportunity to comment on Modification proposal 005 (0726), Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter.

Given the absence of legal text or release of the form of agreement that would give effect to the proposal, NGN has not had an opportunity to review the detailed agreement terms referred to in the Modification that would give effect to the proposal.

If the agreement purports to establish direct rights between the end consumer and the GT, then NGN is of the opinion that this may be contrary to the provisions of the Gas Act (1986) in that it could constitute an arrangement between a Gas Transporter and the end consumer in relation to the offtake of gas from the system.

*Gas Act 1986 - Licensing of activities relating to gas*

*5. Prohibition of unlicensed activities*

(1) *Subject to section 6A below, a person who –*

*( c ) arranges with a gas transporter for gas to be introduced into, conveyed by means of or taken out of a pipeline system operated by that transporter, .....shall be guilty of an offence unless he is authorised to do so by a licence.*

If the agreement follows the more traditional route of creating an ancillary agreement that creates rights that are used by Shippers under the Network Code and that are not enforceable by the end consumer then NGN still has significant further concerns as set out below.

NGN is surprised that this proposal was thought necessary in the first instance, given that the UNC already contains provisions which allow for Users to request specified pressure from Transporters (J 2.2). This clause covers both NTS and LDZ supply points, unlike the proposal which seeks to impact LDZ supply points only. Whilst this may not entirely meet the commercial objectives sought by the proposer of the Modification, it does provide a legitimate contractual route to the same practical end of specific specified increased pressure requests.

In respect of the Draft Modification Report we make the following observations;

4 a) implications for operation of the System

In order that the modification proposal could be implemented, the NGN system would need to operate at a constant higher pressure in a number of locations, to ensure the grandfather rights clause referred to in the proposal was honoured.

b) development and capital cost and operating cost implications

NGN have not quantified the actual amount required to satisfy this proposal, however to meet the requirements as set out in the proposal, DNs would have to engineer solutions to know that the pressure required by Users was in fact guaranteed as the Modification proposes. Such costs would in our view be prohibitively expensive and would need to be weighed against the ultimate pass through costs to consumers.

NGN has additional concerns surrounding the fact that its allowed revenue is set on the basis of meeting its statutory obligations. It would appear reasonable to assume therefore that no allowance is made for 'guaranteed' pressure accommodated by design over and above that level.

Our understanding of the existing position is that such specified pressure requests are only required at the occasional site. If the minimum pressure was raised as a guaranteed element for all sites currently having access to this pressure the capital costs required to confirm such guaranteed pressure would escalate unreasonably and unnecessarily.

Conclusion

NGN believes that this proposal is flawed and the outcome if implemented would have potentially serious cost implications for Transporters and consumers.

Most pointedly, as set out at the start of our response NGN views the proposal as being potentially inconsistent with the existing Gas Act provisions, and ultimately unnecessary given the existing section J provisions of the UNC.

This proposal fails to satisfy the relevant objectives required by Standard Special Condition A11, 1 (a)..the efficient and economic operation of the pipeline system ..., and as such NGN strongly recommends its non implementation.

Yours sincerely

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Network Code Manager