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8th September 2005

Mr. Julian Majdanski
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
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UNC Modification Proposal 0035: 'Revisions to Section Q to Facilitate the Revised NEC Safety Case'

Dear Julian,

Thank you for your invitation seeking Transco – Distribution's representation with respect to the above Modification Proposal.

Transco – Distribution is in favour of implementation

Transco – Distribution believes that the amendments to the UNC are required to align the UNC with the NEC's Safety Case, in light of the recent introduction of a potential or actual GSMR Safety Monitor Breach as a trigger for an emergency. Since these are changes to the UNC to reflect changes to a Safety Case, the changes are appropriate to advise UNC parties of the commercial effects of decisions that may be taken by the NEC in the event of an emergency.

On this basis, Transco – Distribution believes that implementation would be consistent with furthering the relevant objectives set out in Standard Special Condition A11 of the Transporters' Licence, since adding clarity to the commercial arrangements prevailing at the time of an emergency in the UNC is consistent with the licensee's obligation to promote the efficient and economic operation of the pipeline system and, by setting out such commercial arrangements in the UNC, ensures that all UNC parties understand the risks associated with changes to the NEC's safety case, thereby promoting competition between shippers.

On the subject of the wider effect of implementation, Transco – Distribution does not believe that this consultation should be used as the vehicle to discuss all the complexities surrounding shippers' commercial decisions to acquire and use peak gas and the pros and cons of NEC's right to curtail its use. It is Transco – Distribution's assumption, which accords with Transco – Transmission's assertion that this proposal is about adding clarity to the UNC by aligning the relevant documents. Clearly, there are interactions between the introduction of new NEC powers on the commercial decisions made by shippers regarding the use of stored gas, but these exist irrespective of implementation: implementation is solely about introducing *contractual* clarity into the UNC. If there are concerns regarding the effect of these arrangements on balancing incentives, then they should be raised as a topic at the Workstream and debated in the context of stable, aligned regulatory and contractual documents.

Yours sincerely

Declan McLaughlin
Commercial Manager – Customer Service
National Grid Transco