

Mr. Julian Majdanski  
Joint Office of Gas Transporters  
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14<sup>th</sup> September 2005

Dear Julian,

**Modification Proposal 0035 - "Revisions to Section Q to Facilitate the Revised NEC Safety Case"**

Total Gas & Power Limited welcome the opportunity to submit comments below in respect of modification proposal 35. We do not support implementation of this proposal, particularly the amendments related to the GSMR monitor.

Modification proposal 35 does not in our view facilitate achievement of the relevant objectives. Specifically, TGP consider that:

- Efficient and secure operation of the NTS is best delivered through providing the necessary conditions that facilitate robust operation of the wholesale market. However the use of command and control procedures alongside market mechanisms, we believe, creates significant potential for unintended consequences and perverse incentives that may ultimately prove destabilising to effective market operation.
- Despite assurances and a revised definition from Transco, the timings, withdrawal rate/volume prior to Transco advising the NEC that a potential or imminent GSMR Monitor Breach Network Gas Supply Emergency is likely to occur remain unclear. It does not appear that Transco have sufficiently explored the route of providing additional clarity and timely information regarding monitor levels to enable the market to take corrective action prior to the potential/actual GSMR Monitor emergency being called.
- A potential or actual emergency may be initiated for purely technical reasons despite substantial gas volumes being made available at other entry points to meet demand. Alternatively it may strand gas in storage precisely at the time when it may be needed and consequently lead to substantially increased gas costs/prices that are not reflective of the underlying supply demand conditions.
- This proposal appears to increase the commercial disparity between gas in storage and other forms of gas entering Transco's NTS system. As such it may be perceived as undermining the value of storage as an appropriate balancing tool at times of system peak and thus adversely affect the economics of investment in storage. Hence a debatable short term increase in security of supply may have a detrimental impact on longer term security.
- The required transporter emergency interruption volumes and hence the probability of interruption during stage 1 would increase were this proposal to be implemented.



TGP recognise that Transco has no explicit obligation to consult upon changes to their Safety Case, it is nevertheless disappointing that no such consultation occurred. Such a consultation we believe would have facilitated transparency and enabled the industry the opportunity to raise important concerns regarding the wider commercial implications of Transco's revisions. We fully recognize that our comments in response to this UNC proposal will not affect the physical actions available to the NEC during Stage 1, however, we consider that as a matter of principle that retrospective legitimacy should not be conferred upon these safety case monitor revisions via modification of the UNC. TGP therefore recommend for the reasons outlined above that Modification 35 be rejected.

Please feel free to contact me on the number below if you wish to discuss our response in more detail.

Yours sincerely,

***(This message is sent electronically and is therefore not signed)***

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