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Dear Julian

RE UNC Urgent Modification Proposal 0044 – Revision of the Emergency Cash-out arrangements

Thank you for the opportunity to comment on this Modification Proposal.

We acknowledge that this Modification has been raised following the rejection of Modification Proposal 0021 and was expected to have addressed all the concerns expressed within the rejection letter issued by Ofgem. Although a number of revisions have been made to produce the new Modification Proposal 0044, we do not believe that this has addressed all the issues and as such does not provide a satisfactory basis for amendment of the Uniform Network Code.

Therefore the majority of our comments submitted in response to the previous consultation for Modification Proposal 0021 are still applicable.

We would re-iterate that we are entirely supportive of the principle to establish strong incentives upon all players to avoid entering an emergency situation. However, we still do not believe that the Modification Proposal adequately recognises the potential for the prior emergency incentive to become penal should an emergency be declared.

This proposal does not address our concerns with respect to the potential duration of an emergency. The modification is based upon the premise that the signals are sufficient to avoid entering an emergency but we are concerned that it may be difficult to lift the emergency condition if it had been caused by a breach of the short-term (LNG) storage monitor. We still believe that the issue of recovery from an emergency, if caused by a breach of the short-term safety monitor, requires further consideration.

The licence obligations require Suppliers, through their Shippers, to provide for adequate cover of their demand obligations to an appropriate security standard. This is underpinned by appropriate commercial incentives. Once in the situation of a GDE, by definition some

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provision has failed. To simply increase the exposure of Users does not best serve the assurance of security of supply to consumers.

The term “Emergency Interruption Volume” has now been replaced with “Emergency Curtailment Quantity” (ECQ) and the methodology would also apply to Firm loads if curtailed at stage 3 of an emergency. This is an approximation of the volume of gas that would have flowed had there not been interruption. Although there has been some debate and guidance note issued on the application of the methodology, we do not believe that there is yet a common understanding of how this would operate in practice.

In conclusion, although we are supportive of the principles of correct incentives upon Users to balance and avoid entering an emergency, we do not believe that this Modification Proposal fully addresses all the issues that arise when conditions require that an emergency situation is under consideration. Furthermore, it would introduce a penal regime should there be a declaration of emergency, as Users would continue to be cashed out at prices at prices that did not reflect the market.

We believe that the issues of market suspension and substitution of prices warrant greater consideration and therefore are not supportive of the implementation of this Modification Proposal.

Please contact me if you require any further information.

Yours sincerely,

Mike Young
Commercial Manager