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### **UNC Urgent Modification Proposal 0052 – Storage Withdrawal Curtailment Trade Arrangements in an Emergency**

Dear Julian,

RWE npower has sympathy with the principle behind this modification proposal that shippers who have booked storage capacity should be protected from exposure to marginal cash out prices in the event they are prevented from using this due to a Network Gas Supply Emergency (NGSE).

The proposal to introduce SWCQ Trades, whereby shippers sell gas to Transco NTS at the NBP in quantities reflective of their potential storage rights, is a logical way to provide such protection as it mirrors the principles behind ECQ Trades recently been established through implementation of modification proposal 0044.

Whilst it is possible that storage users will have their withdrawal rights curtailed in a general NGSE Gas Deficit Emergency or a NGSE Critical Transportation Constraint Emergency, this is most likely to occur as consequence of an actual or potential NGSE Gas Deficit Emergency caused by an actual or potential breach of a Safety Monitor.

Safety Monitors, and the right of the NEC to declare a NGSE Gas Deficit Emergency when Safety Monitors are breached, were introduced by way of modification proposal 710, which was implemented in October 2004. This replaced the prevailing Top Up arrangements and introduced the possibility of storage users having their withdrawal rights curtailed so as to maintain sufficient gas in store to meet the needs of NDM customers in a severe winter. However, following implementation of modification proposal 0044 the financial consequence of such curtailment has increased.

In the event storage contracts allow storage operators to declare force majeure in the event of withdrawal rights being curtailed following declaration of an NGSE (particularly a NGSE Gas Deficit Emergency caused by breach, or potential breach, of a Safety Monitor) implementation of this modification proposal would provide storage users with the opportunity of limiting their exposure to imbalances (both physical and financial) which their contractual terms would not otherwise entitle them to.

We note that during the course of the development of the modification the requirement for shippers to provide supporting information on a daily basis backing up their SWCQ

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Trades has been withdrawn in favour of reconciliation at D+15. Also the original proposal for the SWCQ claims to potentially be subject to review by the UNC Committee and Ofgem has been withdrawn.

Whilst we are not opposed to these changes (as they reduce administrative inefficiency and overcome potential issues of individual shipper information being made available to the UNC Committee) we are concerned that this could leave the process potentially open to gaming, which would disadvantage shippers collectively through neutrality.

We would therefore expect Ofgem to consider using their general powers to request information regarding the reconciliation process in the event there is evidence, whether anecdotal or otherwise, to suggest storage users have made SWCQ Trades to a greater extent than they were contractually entitled to do so.

We also have concerns about shippers being able to make within day SWCQ Trade adjustments within day, particularly as some of these might be SWCQ Trade sales from shippers to Transco (to adjust SWCQ Trade sales from Transco to shippers).

Whilst this might be used to adjust trades on the day when an emergency is declared and to take account of gas being flowed from storage facilities (on instruction of the NEC) to meet the demand of customers protected by the Safety Monitor, a simpler approach may be to resolve this through the reconciliation process.

We would certainly not envisage it being required to reflect flexibility in physical withdrawal rights that might prevail under normal operating conditions as the modification proposal implies. Emergencies are clearly not normal operating conditions and physical gas is unlikely to be flowing from storage facilities in any great quantity during periods of curtailment.

Yours sincerely,

Stephen Rose  
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