

## **Representation For. 0052**

"Storage Withdrawal Curtailment Trade Arrangements in an Emergency"  
Version 1.0

**Date of Communication:** 16/11/2005  
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**Slant:** For  
**Strictly Confidential:** No

### **Abstract**

Thank you for providing SGN with the opportunity to comment on the above proposal. I can confirm that SGN supports the principle behind this Modification Proposal. We believe that it addresses a number of the concerns highlighted by industry participants in relation to recent changes to the NEC Safety Case which could prevent Users from withdrawing gas from storage and changes to emergency cashout arrangements as a result of implementation of Modification Proposal 0044.

As we highlighted in our response to Modification Proposal 0035, SGN believes that as a result of changes to the NEC Safety Case, there is a real risk that Users could be prevented from withdrawing gas from storage at the very time at which it was intended to be used. Such Users will have to find alternative sources of gas at a time when market prices are likely to be high, or following implementation of Modification Proposal 0044, face quite penal cashout prices. SGN believes it is inappropriate that Users, who have acted prudently in taking action to ensure they have sufficient gas to meet their own demand and to avoid having to source gas at times when prices are high could be penalised in this way, in order to protect the rest of the market. SGN believes this could have unintended and perverse consequences, either discouraging Users from putting gas into storage or encouraging them to withdraw gas at the earliest opportunity to avoid the risk that gas may be stranded at a later date. We do not believe this is in the interest of security of supply or the efficient operation of the system.

SGN also believes that such arrangements could be discriminatory, penalising a particular group of Users relative to others who may have relied on alternative sources of supply or flexibility. This is not in the interest of competition.

This Modification Proposal would provide those Users who find gas stranded in storage with a means of mitigating this risk by removing some of the imbalance exposure. This would help address the concerns expressed above relating to discrimination and impact on competition.

SGN does not have any particular comments regarding the proposed methodology. We believe that Transco NTS and Shippers are best placed to comment on this aspect of the proposal.

I hope these comments are helpful.

Regards

Beverley Grubb  
Commercial Manager  
Scotia Gas Networks