

Julian Majdanski
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Modification Panel
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UNC Urgent Modification Proposal 0057 – Compensation payments to Users whose gas flows are curtailed into the system following instructions received from the NEC

Dear Julian,

RWE npower does not support the above urgent modification proposal.

Whilst recognising the concerns expressed by the proposer that storage shippers may be being disadvantaged compared to shippers who rely more heavily on beach supplies, this situation has been in existence since the removal of Top Up from the network code following implementation on modification proposal 710 in October 2004.

In our opinion it is not appropriate to instigate what is a significant general change to a shipper entitlement to compensation from neutrality at this stage of the winter nor is it appropriate to do so by way of an urgent modification raised in isolation. Such issues need to be considered as part of a more fundamental debate about the appropriateness of the safety monitors and the NEC Safety Case, how to secure the current security of supply standards and the incentives on storage users to withdraw gas and we welcome recent suggestions that such a debate may be about to commence.

It is also appropriate to note that a decision is still awaited on urgent modification proposal 0052, which was raised with the specific intention of providing storage users relief from potential exposure to SMP Buy in the event their withdrawals are curtailed in an emergency. We do not believe it is appropriate to approve both modifications, and if any form of compensation or relief is considered appropriate for storage shippers, we believe it is more appropriate to give it in the form envisaged under modification proposal 0052.

Whilst the modification proposal is aimed at compensating storage shippers it would appear not to exclude compensation for shippers who have gas curtailed at any beach entry point. Whilst it is unlikely to apply to anybody other than storage users, it is conceivable that it could apply to other shippers in a Gas Deficit or Critical Transportation Constraint Network Gas Supply Emergency, thus widening the scope for compensation claims which would have to be met from neutrality.

The modification proposal also fails to restrict the basis on which claims can be made,

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whereas any compensation claim made by shippers at the beach is limited only to financial losses they may incur having been instructed to deliver gas to the system at System Average Price which is capped in quantity terms by the size of their long position.

It also makes fails to make reference to constrained storage, where it would be inappropriate to compensate storage users for curtailment if they were subject to withdrawal constraints under their contractual terms.

Yours sincerely,

Steve Rose
Economic Regulation