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The Joint Office, Relevant Gas Transporters and other  
interested parties

Direct Dial: 020 7901 7355  
Our Ref: UNC/MOD/071

12 December 2005

Dear Colleague

**Request for Urgent Status for modification proposal 071 'User compensation for NEC Storage Curtailment'**

Following consideration of the request that modification proposal 071 '*User compensation for NEC Storage Curtailment*'<sup>1</sup> follow urgent procedures, Ofgem has today agreed to that request.

Modification Proposal 052<sup>2</sup>, which was approved by Ofgem on December 2005, is intended to provide a form of compensation if storage withdrawal curtailment is undertaken by the National Emergency Co-ordinator (NEC) which leaves shippers financially neutral to the effects of the storage monitors. Ofgem accepted this modification as it considered that, on balance, it would better facilitate the achievement of the relevant objectives of the UNC. However, Ofgem did express concerns in relation to certain aspects of the compensation arrangements provided by modification proposal 052 and outlined areas of these arrangements which would benefit from further consideration.

Urgent modification proposal 071 seeks to provide compensation for direct storage users who have had their flows from storage curtailed by notice from the NEC. The Proposer considers that given the urgency and subsequent implementation of UNC modification proposal 052, this further proposal, 071, should be granted urgency and put in place for this winter. The proposer considers that the proposal will improve security of supply by removing any perverse incentives on stored gas in the event of an impending breach of a storage monitor. The proposer also considers that this proposal would ensure that Users retain appropriate incentives to maintain the balance within their portfolios in the event of a monitor breach.

In reaching its decision, Ofgem has considered the details contained within the modification proposal. Ofgem considers the proposers justification for urgency accords with Ofgem's own guidelines for granting urgency status to a modification proposal<sup>3</sup>. In particular, Ofgem considers that if the proposed changes to the arrangements are treated as non-urgent, this could have an impact on security of supply later this winter. Additionally, Ofgem considers that if this modification proposal is not treated as urgent there may be a likelihood of significant commercial impact on industry parties.

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<sup>1</sup> [www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13169\\_0071\\_Modification\\_Proposal\\_v1\\_0.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13169_0071_Modification_Proposal_v1_0.pdf)

<sup>2</sup> [www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13072\\_052D.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13072_052D.pdf)

<sup>3</sup> [www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700_Urgency_Criteria.pdf)

For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of this modification proposal.

### Urgency Timetable


The granting of urgent status and adherence to the timetable below would ensure that the proposal is in a position to be decided upon and if appropriate implemented as early as possible this winter, particularly ahead of the Christmas period when, assuming appropriate incentives exist for storage Users, gas may be available for injection into store, potentially alleviating pressures later in the winter. The timetable for this modification proposal will therefore be as follows:

Sent to Ofgem requesting urgency	09/12/2005
Ofgem grant urgent status	12/12/2005
Proposal discussed at Transmission Workstream	14/12/2005
Proposal issued for consultation	15/12/2005
Closeout for representations (2 business day consultation)	19/12/2005
Mod Report issued to Modification Panel	20/12/2005
Modification Panel Recommendation	21/12/2005
Ofgem decision expected	22/12/2005

Ofgem recognises that this timetable is demanding, particularly with respect to the two business day consultation period and the requirement for the modification panel to provide a recommendation, perhaps via a telephone conference, potentially one day after receiving the modification report. However, as mentioned, Ofgem considers that every effort should be made to allow this proposal to be decided upon at the soonest opportunity. Ofgem also notes that the proposal has already benefited from discussion at the Transmission workstream of 01 December 2005 and is scheduled to be discussed again at that forum on 14 December 2005, giving parties opportunity to comment on and where appropriate develop the proposal ahead of it being formally issued for consultation.

If you have any queries in relation to the issues raised in this letter, please feel free to email [modifications@ofgem.gov.uk](mailto:modifications@ofgem.gov.uk).

Yours sincerely,



**Nick Simpson**  
**Director, Modifications**

Signed on behalf of the Authority and authorised for that purpose by the Authority