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The Joint Office, Relevant Gas
Transporters and other interested
parties

Our Ref: Net/Cod/Mod/UNC072
Direct Dial: 020 7901 7355
Email: modifications@ofgem.gov.uk

14 December 2005

Dear Colleague,

Request for urgent status for modification proposal UNC072: 'Gas Allocations at LNG Storage Facilities in the Event of a Network Gas Supply Emergency'.

Following consideration of the request from National Grid Liquefied Natural Gas (NG LNG) Storage that its modification proposal 072 '*Gas Allocations at LNG Storage Facilities in the Event of a Network Gas Supply Emergency*' follow urgent modification procedures, Ofgem has today agreed to that request.

The proposer is concerned that whilst the prevailing provisions of Section Z the Uniform Network Code (UNC) envisages storage users being requested by the National Emergency Co-ordinator (NEC) to increase flows from storage, under the storage monitor provisions introduced following the removal of Top-up¹, users may in fact be requested to reduce flows from storage in order to prevent a breach of the safety monitor levels. The proposal therefore seeks to amend Section Z of the UNC in order to reflect that the NEC may request a curtailment of withdrawal from NG LNG storage facilities and to allocate any gas that is withdrawn according to the amount that the user has nominated for delivery onto the National Transmission System (NTS) at the point in the Gas Day that the request is made, rather than the amount that the user may have in store at that facility. The proposer considers that this proposal would, if implemented, reduce any additional costs from imbalance charges etc that would otherwise have been incurred following a curtailment of gas flows.

The proposer has also confirmed that existing provisions remain in place and be applied where the NEC requests NG LNG to increase flows.

In reaching its decision on granting urgent status, Ofgem has considered the details contained within the modification proposal², including the proposer's justification for urgency. Ofgem considers that this proposal satisfies the criteria for granting urgent status to a modification proposal, as set out in its published guidelines³. In particular, Ofgem has noted that a request to curtail storage may be issued in order to mitigate a potential Network Gas Supply Emergency (NGSE), rather than only when one has been declared. Ofgem considers that this increases the possibility of these provisions being called upon during the peak demand periods of this winter. Ofgem considers that if the proposed

¹ www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/9030_710D.pdf

² www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13176_072UP.pdf

³ www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700_Urgency_Criteria.pdf

modification were treated as non-urgent, there may be insufficient time for this proposal to be decided upon and implemented ahead of those peak demand periods, potential having an adverse affect upon the security of the supply of gas. Furthermore, Ofgem is concerned that if storage withdrawals were to be curtailed under the prevailing arrangements, there is a likelihood of a significant commercial impact upon storage users in particular.

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 at the earliest opportunity. The timetable for this modification proposal, which has been altered from that put forward by the proposal in order to allow opportunity for the modification panel to provide a recommendation, will therefore be as follows:

Submit proposal to Ofgem for urgency	13/12/05
Ofgem grant urgent status	14/12/05
Discuss at workstream	14/12/05
Proposal issued for consultation	15/12/05
Closeout for representations	30/12/05
Modification report issued to the panel	04/01/06
Modification panel recommendation	05/01/06
Ofgem decision expected week commencing	09/01/06

Ofgem recognises that once again this timetable is demanding, involving consultation over the Christmas period and requiring the modification panel to make a recommendation potentially one day after receiving the modification report, but considers that every effort should be made to allow this proposal to be decided upon at the soonest opportunity. Ofgem also considers that 05 January 2006 provides a good opportunity for the modification panel to convene and make a determination on this proposal, given that the majority of panel members may already be in attendance at the Transmission workstream that day. Ofgem also notes that this proposal is due to be discussed at the Transmission workstream of 14 December 2005, giving parties opportunity to comment on and where appropriate develop the proposal ahead of it being formally issued for consultation on 15 December 2005.

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

Yours sincerely,



Nick Simpson
Director, Modifications