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value to customers

The Joint Office, Relevant Gas
Transporters and other interested
parties

Our Ref: Net/Cod/Mod/UNC086
Email: modifications@ofgem.gov.uk

24 May 2006

Dear Colleague,

Request for urgent status for modification proposal UNC086: 'Introduction of Gas Demand Management Reserve Arrangements'.

Following consideration of the request from Gaz de France (GdF) that its modification proposal 086 '*Introduction of Gas Demand Management Reserve Arrangements*' follow urgent modification procedures, Ofgem has today agreed to that request.

The [modification proposal](#)¹ seeks to require National Grid Gas NTS to put in place a tender scheme to encourage gas demand side response. The proposer believes that this proposal is critical to assist with Security of Supply for the UK gas market in the coming 2006/07 winter. It considers that extra volumes could be achieved by removing barriers to demand side participation, which could be significant and instrumental in achieving a supply/demand balance on what it refers to as "difficult days", potentially helping to avert a Gas Demand Emergency.

The proposer notes that the proposal builds upon discussion under the Demand Side Working Group (DSWG)².

In reaching its decision on granting urgent status, Ofgem has considered the details contained within the modification proposal, 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 in a tight winter, a significant demand side response may be required in order to avoid a Gas Deficit Emergency, thus securing supplies for domestic consumers. Ofgem also notes that in order for this demand side response to be facilitated through contract, this modification proposal must be in a position to be decided upon reasonably ahead of the 2006/07 gas year, the contracts for which commence 01 October 2006.

¹www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15107_086ModProp.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/gasgovernance

²Details available on the Ofgem website at: www.ofgem.gov.uk

³www.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 sufficiently ahead of the 2006/07 gas year to be reflected in contracts. Ofgem has therefore agreed to the proposer's suggested timetable as follows:

Submit proposal to Ofgem for urgency	19/05/06
Ofgem grant urgent status	24/05/06
Discuss at transmission workstream	01/06/06
Proposal issued for consultation	05/06/06
Closeout for representations	19/06/06
Final Modification Report to the panel	26/06/06
Modification panel recommendation	06/07/06
Ofgem decision expected week commencing	13/07/06
Implementation date (subject to Ofgem's decision)	20/07/06

Ofgem notes that the principles behind this proposal have previously been discussed at the transmission workstream⁴, as well as the DSWG. The timetable set out above includes further discussion at the transmission workstream of 01 June 2006, giving parties further opportunity, albeit limited, to comment on and where appropriate develop the proposal ahead of it being formally issued for consultation on 05 June 2006. This timetable also assumes that the panel will be able to convene following the transmission workstream of 06 July 2006 in order to provide a recommendation. Ofgem hopes this can be achieved.

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,



Sarah Harrison
Managing Director, Corporate Affairs

⁴ Transmission workstream, 4 May 2006.