Statoil (U.K.) Limited
Gas Division

Statoil House
11a Regent Street
London SW1Y 4ST

Switchboard: 020 7410 6000
Central Fax: 020 7410 6100
Website: www.statoil.co.uk
Email:christiane.sykes@Statoil.com
Direct Line:020 7410 6173
Direct Fax:020 7410 6107

Tim Davis
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

Friday 1 September 2006

Dear Tim

RE: UNC Modification Proposal 098/098a Modification to Codify Emergency Curtailment Quantity (ECQ) Methodology

Statoil (U.K.) Limited supports the implementation of Modification Proposal 098. This proposal better facilitates the relevant objectives, as outlined in the proposal, further than the current arrangements in place and over and above the proposals, as suggested under the alternative Modification 098a.

As stated in the proposal, Ofgem, in their decision letter for Modification Proposal 044, saw benefit in including a single ECQ methodology for all relevant transporters, within the UNC. We believe Modification Proposal 098 will achieve this and, thereby, avoid unnecessary fragmentation and subject the ECQ methodology to the full jurisdiction of the established code governance process.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas
Transporters Licence (as detailed in the Proposal)

(a) the efficient and economic operation of the pipeline system, through ensuring that transporters have the best estimate available to them in a GDE of the quantity gas, which may have been offtaken, had an ECQ not been taken, thus enabling transporters to better balance the system in an emergency.

(b) the coordinated, efficient and economical operation of (i) the combined pipeline system and/or (ii) the pipeline system of one or more other relevant gas transporters, though ensuring a consistent and coordinated approach for all transporters to calculate a User's ECQ and ensuring the most accurate ECQ to better enable each transporter to balance their system in the event of a GDE.

(d) the securing of effective competition between relevant shippers and between relevant suppliers, through ensuring each shipper/supplier is subject to the same calculation process when the transporter determines their ECQ. As stated in Ofgem's decision letter to Modification Proposal 044, 'where different methodologies co-exist, this could 'result in shipper uncertainty as to the treatment of particular loads (and potentially differential treatment of loads connected to different networks).' We accept that the transporters have agreed to a uniform revised ECQ calculation methodology, however, as the methodology remains outside the Code, Users are not provided with adequate assurance that different methodologies may not materialise or that the methodology itself may change, without the appropriate governance framework.

(f) the promotion of efficiency in the implementation and administration of the network code and or the uniform network code through ensuring that key methodologies, which have significant commercial impacts on Users, are subject to code governance procedures.

We consider that the benefits of transporters having access to the most accurate information available to them far outweighs the system costs, which might be involved in making this information available. In the event of a gas emergency, the inaccurate calculation a User's ECQ could lead to shipper failure and moreover, may lead to an inaccurate representation of the balance of the total system.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely,

Christiane Sykes
Regulatory Affairs Manager.