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Draft Modification Report 0100

Interconnector (UK) Ltd ("IUK") offers the following comments on the draft modification report 0100. IUK does not support the implementation of modification 100 for the reasons set out below.

Summary

IUK does not support the implementation of modification 0100 for the following reasons:

1. Accuracy of Information

The modification takes no account of downstream business rules or the systems development involved. It pre-supposes that connected systems hold accurate information concerning flows at 11:00 hours D-1 in order that a 12:00 hours OPN can be supplied. While this may possibly be the case for some large industrial loads or for power generation, in the case of IUK's operation Shippers do not determine their requirements until later in the day.

The continental markets and the nomination timetables have recently been harmonized as described below. Shippers and operators have adjusted to this new timetable and are not in a position to provide meaningful data in the timescales envisaged by this modification.

IUK understands that the existing National Grid D-1 timetable requires NTS Shippers to submit DM nominations by 12:00 hours D-1 already. National Grid is, therefore, already aware of its Shippers' intentions. The fact that this data is not used reflects a lack of confidence in the data. IUK's view is that improvements in the quality of the data which National Grid already holds should be the first area to be addressed.

Modification 100, therefore, would fail to achieve its central objective as collection of inaccurate data at 12:00 hours will not lead to an improvement in the 14:00 hours demand forecast.

2. European harmonization

The European Association for the Streamlining of Energy Exchange – Gas ("EASEE-gas") has approved Common Business Practice ("CBP") 2003-002/01 "Harmonisation of the Nomination and Matching Process" in order to align business processes across Europe. This common business practice, although voluntary, defines the timing of nominations by Shippers to TSOs as well as the timing of information flows between adjacent TSOs and was implemented across most of Europe as recently as October last year.

As a member of EASEE-gas it is surprising that National Grid appears to be disregarding this CBP so soon after its implementation by neighbouring TSO's. The wide implementation of this CBP means that TSOs and market hubs are aligned with a unified timetable across continental Europe and IUK's nominations and information flows are also aligned with this timetable.

Under this timetable, Shippers provide their nominations to TSOs by 13:00 hours (UK time) for the next day. Consequently, any data available prior to 11:00 hours is likely to be of questionable accuracy.

3. Interconnection Agreement

IUK entered into an Interconnection Agreement with [a predecessor of] National Grid in 1998. The agreement is bi-lateral and has been modified by agreement of the parties several times since the original agreement was put in place. Modification 100 appears to set a worrying precedent whereby National Grid is apparently seeking to change a principle term of the agreement outside the established bi-lateral negotiation process without having first consulted with IUK. IUK is disappointed that National Grid has failed to consult with IUK first on this matter and trusts that this unusual approach will not be adopted in the future.

1. The Modification Proposal

IUK does not support the implementation of modification 100 for the following reasons:

The data provided would have little value because the level of accuracy provided would be very poor;

The proposed revised timetable does not align with the aims of the European harmonization process, which was implemented by most TSOs by 1/10/05 and;

Changes to the bi-lateral Interconnection agreement should be negotiated through discussion between IUK and National Grid.

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

IUK does not agree that this modification would improve the efficient operation of National Grid's system. The accuracy of the data provided at 11:00 hours would be very poor, potentially resulting in misleading signals to the market.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

IUK does not agree that inefficient balancing actions will be avoided. The release of demand forecasts based on inaccurate data could lead to volatile trading patterns in the market.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

Modification 100 has consequences beyond the scope of UNC parties and would incur additional costs which have not been taken into account.

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

The extent to which National Grid is able to impose the changes envisaged in this modification into connection agreements is subject to legal review.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

Additional systems costs would be incurred by IUK.

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

No comments.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

See summary above.

9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

The extent to which National Grid is able to impose the changes envisaged in this modification into connection agreements is subject to legal review.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Improvements in demand forecast accuracy would only follow if accurate data is supplied to National Grid according to the new timetable. In the case of the Interconnector more accurate data is not available prior to 12:00 hours D-1.

11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

No comments.

12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

No comments.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No comments

14. Programme for works required as a consequence of implementing the Modification Proposal

No comments

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

No comments.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No comments

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