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Gas Division**

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Tim Davis
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Monday 11 September 2006

Dear Tim

RE: UNC Modification Proposal 0101 Amendment to Demand Forecasting Timings in Relation to the Gas Balancing Alert

Statoil U.K. does not support this proposal. We accept the principle of the proposal to more accurately reflect the forecast schedule, however, in practice, we are concerned that potentially increasing the likelihood of a GBA being issued could dilute the effectiveness of a GBA.

We recognise that a change to the GBA methodology has not been proposed, however, once a GBA has been issued, the Code stipulates that it shall remain in force until the end of the Gas Flow Day, to which it applies. If there are increased opportunities to issue a GBA, there is the risk that one may be issued early on in the day, the issue is resolved but the GBA remains in force, again diluting the effectiveness of the GBA. Under the current arrangements, the GBA may not have been issued as the problem may have been resolved before such a time as was necessary to issue the alert.

March 13 is consistently used as an example where market participants were not given sufficient time to offer demand response, however, this can not be considered as a typical day and is often referred to as the 'Monday affect'. The day ahead price on the Friday was in the region of 60p/therm and on the Monday, rose to approximately £2.50/therm. Many large customers do not have 24 hour operational cover over the weekend period and so were unable to respond during that time.

We would rather support initiatives previously suggested, to introduce a text messaging service to market participants to alert them of any issues, such as a period of sustained high price, thereby giving customers sufficient time and the appropriate signal, to respond. This would be sufficient in giving customers the information they need, to trigger demand side response, rather than the issuing of a GBA, which the customer may not fully rely on in order to trigger the appropriate response.



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

Yours sincerely,

Christiane Sykes
Regulatory Affairs Manager.



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