



Modification Panel Secretary  
Joint Office of Gas Transporters  
Ground Floor Red  
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Solihull  
West Midlands  
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26 June 2007

Dear Julian,

**Modification Proposals: 0149 / 149A: Gas Emergency Cash out Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency.**

Scotia Gas Networks welcomes the opportunity to respond to these consultations, and offers comments only.

Both proposals have been raised to make available an alternative route for non UKCS gas supplies to enter the BG system. They aim to open the OCM to Shippers only (not NTS) during stage 2 of a Network Gas Supply Emergency Gas Deficit Emergency (NGS(GD)E). From that point of view implementation of either modification proposal should help reduce the duration of a Stage 2 or beyond NGS(GD)E. SGN consider it is essential to have a mechanism in place to attract and achieve additional quantities of 'merchant' gas into the system which would improve security of supply.

Modification Proposal 0149 has been raised by National Grid NTS. Currently the 'on-the-day Commodity Market' (OCM) is suspended at the start of a Stage 2 gas emergency. This proposal aims to open the OCM to Shippers during the stage 2 gas emergency. We understand National Grid NTS and Ofgem chaired 'Options for the design of gas emergency arrangements' workgroups where a number of alternative options for setting prices were considered, NG NTS consider the proposed clearing price methodology is the most appropriate for this Proposal. This could mean the cash out price will be determined by Shipper trading behaviour. However, SGN shares Shipper concerns regarding the possibility that the proposal could be open to misuse by Shippers or pure Traders, setting high SMP (buy) cash-out prices to their advantage.

In contrast Modification Proposal 0149A has been raised by E.ON UK. The principles set out within this proposal are similar to those for 0149, although E.ON seeks to address concerns that 0149 cash out price could excessively penalise Shippers, consideration has to be given to whether the 'frozen' emergency cash-out price would be effective in attracting additional gas.

We hope you find these comments helpful.

Yours sincerely

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