



Mr Julian Majdanski  
UNC Panel Secretary  
Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ  
[enquiries@gasgovernance.com](mailto:enquiries@gasgovernance.com)

Wales & West House  
Spooner Close  
Celtic Springs  
Coedkernew  
Newport NP10 8FZ  
T. 029 2027 8500  
F. 0870 1450076  
[www.wwutilities.co.uk](http://www.wwutilities.co.uk)

Tŷ Wales & West  
Spooner Close  
Celtic Springs  
Coedcernyw  
Casnewydd NP10 8FZ

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Dear Julian,

**Representation for Modification Proposal 0149 / 149A: “Gas Emergency Cash out Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency.”**

Wales & West Utilities offers comments in response to these consultations.

Both proposals have been raised to make available an alternative route for non UKCS gas supplies to enter the GB 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. WWU agrees that it is essential to have a mechanism in place to attract and achieve additional quantities of ‘merchant’ gas into the system and thus to improve security of supply.

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.

Modification Proposal 0149, raised by NG NTS, considers that the proposed clearing price methodology is the most appropriate. This means the cash out price will be determined by Shipper trading behaviour. However, some Shippers have raised 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. Modification Proposal 0149A, raised by E.ON UK, seeks to address concerns that 0149 cash out price could excessively penalise Shippers and that consideration has to be given to whether the ‘frozen’ emergency cash-out price would be effective in attracting additional gas. Neither of the two Modification Proposals raised, whilst allowing gas trading during Stage 2 of a NGS(GD)E, appear to offer a satisfactory solution to the pricing mechanism.

We hope you find these comments helpful.

Yours faithfully

Liz Spierling  
Commercial Manager  
Wales & West Utilities