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Re: Proposed UNC Modification 0198: "Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points"

Dear Julian,

RWE Npower offers qualified support for the above Proposed UNC Modification.


We accept that, given the long standing atmosphere of confusion within the industry relating to the form that the Enduring NTS Exit Reform arrangements will eventually take and the timescale for the implementation of these, it is necessary to roll back the Sunset Clauses by another year to September 30, 2012. However, we have some concerns over the effect that this will have on both the functioning and security of the system and competition, particularly when the interaction between NTS Exit Reform and other UNC Modifications already implemented by Ofgem is taken into consideration.

One UNC Modification which is of particular concern to us in this case is Modification 90 ("Revised DN Interruption Arrangements"), the implementation of which has been directed by Ofgem to take effect on April 1 this year.

Our concern is the fact that Modification 90 removes Section I5 of the Offtake Arrangements Document which currently allows National Grid NTS to require DNOs to interrupt at LDZ level to deal with a constraint on the NTS. It is envisaged that the final form of Enduring NTS Exit arrangements which will be approved by Ofgem will contain provision for National Grid NTS to deal with such constraints by buying back NTS Exit Capacity from holders.

However, if the Enduring NTS Exit Arrangements do not take effect until 1st October 2012, there will be a four and a half year period where National Grid NTS is unable to deal with constraints either by requiring interruption at LDZ level (as UNC Modification 90 has removed this option) or by buying back NTS Exit Capacity (as this option will not yet exist). We are aware that National Grid NTS will still be able to require DNOs to vary their offtake rates but we are uncertain as to how effective this will be in dealing with a NTS constraint, particularly on a peak demand day.

No doubt this issue will be required to be addressed by a change to National Grid NTS' Safety Case. However as we have no visibility over this process, and have limited influence over UNC Modification Proposals that are raised to reflect Safety Case


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changes, we are understandably concerned about the impact this may have on the security of the System and how we are required to operate under the UNC. We would very much welcome it therefore if Ofgem could address this issue when making their decision on this Proposed UNC Modification.

If you wish to discuss any points raised in this response further, please do not hesitate to contact me.

Regards,

Chris Hill

Gas Codes Analyst