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28 August 2009

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Dear John

Modification Proposal 0260: Revision of the Post-emergency Arrangements

Thank you for your invitation seeking representations regarding the above Modification Proposal.

National Grid NTS, as the Proposer, supports this Modification Proposal.

For the purposes of this response we believe that our views and comments have already been comprehensively stated, both in the Proposal itself and within the Emergency Arrangements Workshop debates, therefore we do not have any further comments to add.

We would however, like to take this opportunity to address the following concerns raised during the Emergency Arrangements Workshops:

Familiarisation of the existing processes and procedures required to register OCM Physical Market Offers and OCM Physical Renominations

The Proposal seeks to utilise existing processes and procedures for the registration of physical offers onto the On-the-day Commodity Market (OCM) and where appropriate, to provide a corresponding physical renomination onto the UK Link ('Gemini') system. During the Emergency Arrangements Workshops, some concerns were raised that whilst these particular processes and procedures e.g. functionality, are provided for under the UNC (and the OCM market rules), they are rarely used. The general consensus of the Workshop attendees was that the lack of familiarity with these existing arrangements may have a detrimental impact on Users, and subsequently, on the potential benefits outlined in the Proposal, when required to be adopted as a consequence of a Gas Deficit Emergency.

National Grid NTS concurs with the view that it is essential that Users are familiar with the processes and procedures to be adopted as part of the proposed revisions to the UNC post-emergency arrangements. Therefore, as indicated in our Proposal, we have advised of our intent to facilitate briefing sessions with the industry to help with the familiarisation of the existing processes and procedures.

The two areas the briefing sessions are seeking to address are:-

1. Familiarisation of the prevailing processes for placing a corresponding physical re-nomination onto the 'Gemini' system when a physical trade is transacted on the OCM.
2. Familiarisation of the OCM Physical Market (APX Gas Ltd) processes/procedures.

To ensure that Users maintain their familiarity with these areas, it is our intention that refresher briefing sessions are scheduled annually as part of the October 'Operational Forum'. National Grid NTS anticipates that an initial refresher briefing session will be scheduled for the first Operational Forum adjacent to any implementation of this Proposal.

We anticipate that through these refresher sessions Users will have the opportunity to gain an understanding of the relevant tools, processes and procedures required to enable any future claims to be successfully validated through the revised post-emergency claims arrangements.

In the meantime, we thought it might be helpful to attach a link to material presented to the Operational Forum in January 2009 which highlights the differences between OCM Title and Physical/Locational trade requirements:

<http://www.nationalgrid.com/NR/rdonlyres/7062BF40-FFCD-40F0-B7A0-E9B5648E3C74/22584/DifferencesBetweenTitlePhysicalandLocationalTrades.pdf>

Development of 'economic price assessment guidelines'

The revisions to the Post-emergency Claims Arrangements includes a requirement for those claims above a trigger-level to be subject to a further 'economic price assessment' whereby the claims would be assessed for payment under the direction of Ofgem. The Emergency Arrangements Workshops concluded that it would be helpful if guidelines were developed to provide the detail of the format and processes that such economic assessments would follow; it was agreed that these guidelines might facilitate further clarity and transparency of the proposed revisions to the post-emergency claims arrangements.

National Grid NTS understands that Ofgem has indicated its intention, that in conjunction with the industry, it will facilitate the development and publication of these 'economic price assessment guidelines'. We would like to take this opportunity to offer our support to Ofgem in its undertaking of this initiative.

Please let me know if you require any further information to enable the preparation of the Final Modification Report.

Yours sincerely

Claire Thorneywork