

John Bradley
UNC Panel Secretary
Joint Office
31 Homer Road
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8th September 2009

Dear John,

Modification Proposal 262: "Treatment of Capacity affected by Force Majeure (FM)"

BG Gas Services (BG) support the implementation of this Modification proposal.

It is important that the current inequity, whereby National Grid can claim FM and yet continue to charge their customers for capacity rights that can't be used, is corrected. In raising this Modification proposal, National Grid recognise this, and this proposal seems the most appropriate solution that can apply to instances of FM at both Entry and Exit.

We would also like to make clear that this Modification should not give National Grid carte blanche to be calling FM, other than in the most unavoidable circumstances. We would expect Ofgem to play a role in "policing" instances where National Grid call FM. Where this mechanism does apply, it does not imply that the affected shippers accept the validity of the FM called. Where National Grid have called FM, we would expect them to be using best endeavours to resolve the FM event and to maximise the capacity available whilst operating under FM conditions. We would therefore expect National Grid to make additional capacity available where pressures and operating conditions allow.

The Modification proposal itself has been discussed at two Transmission Workstreams and had reasonable discussion at the August Modification Panel. This has aided general understanding of the objectives of the Modification and the mechanism by which capacity is surrendered and charges rebated.

The mechanism that National Grid have proposed is appropriate to solve the issue, whereby the price rebated reflects the weighted average price paid for the capacity. Arguably, the rebate should have been based upon the most expensive units of capacity that aren't available due to FM (as per the bid stack), but this would have been harder to automate.

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We agree that this Modification furthers relevant objectives under SSC A11.1(a) and A11.1(d), improving the efficient and economic operation of the pipeline and improving effective competition between relevant shippers. Essentially this situation is an anomaly in the UNC and needs to be corrected. New storage and other facility operators / shippers would be dis-incentivised to make new bookings if they have to pay for something that doesn't exist.

I trust that these comments are clear but if you require further clarification, please do not hesitate to contact me.

Yours sincerely



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