

Without prejudice

10 September 2009

By email: enquiries@gasgovernance.com

Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

Attention: John Bradley, Modification Panel Secretary

Dear Sir,

Re: Response by South Hook Gas Company Ltd (SHG) to the Consultation on Draft Modification Proposal 0262: "Treatment of Capacity affected by Force Majeure"

SHG is pleased to respond to Draft Modification Proposal Report 0262 (the "Proposal").

SHG is a Gas Shipper who holds System Entry Capacity at the Milford Haven ASEP.

In general, SHG is supportive of its understanding of the intention of the Proposal which is to reimburse Users for System Entry/System Exit capacity in respect of which National Grid has claimed Force Majeure. In many if not all cases, the actual costs incurred by Users facing constrained access to capacity will exceed, and potentially significantly exceed, the proposed rebate. However the Proposal is important as it reflects an important minimum principle that Users should be compensated for a service which, in the event of a Force Majeure claim by National Grid, is not being provided. For this reason, we are supportive of the Proposal.

While we support this Proposal and believe that it meets the relevant objectives, as argued by National Grid, we also believe that it is essential that National Grid confirm and/or clarify certain details. On this basis therefore, we set out below our interpretation of the Proposal and reasonably anticipate that National Grid will materially be able to confirm such interpretation in its Modification Report.

In terms of the detail of the Proposal,

1. SHG understands that the intention of the proposal is that the FM Rebate Quantity would be the User's pro-rata proportion of the entire amount of the capacity which National Grid has stated in its notice to Affected Users under B3.3 is likely to be affected by Force Majeure, and that for the purposes of the rebate, the User's capacity rights are considered to be affected by that amount for each day from the date of the Modification until the notice of Force Majeure is removed and that there is no further test of how the User is affected by reference to circumstances on the day. We also understand that the rebate applies even if the notice has not been given to all Other Parties. The current

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draft text is unclear in these respects and we would therefore ask that this is clarified, as follows:

Where National Grid gives notice or has given notice of the occurrence of a Force Majeure event in relation to capacity at an ASEP, National Grid shall issue each User holding Quarterly /Monthly NTS Entry Capacity with a rebate based upon the maximum quantity, being the quantity by which the System Entry Capability at the affected Aggregate System Entry Point may be reduced by reason of the Force Majeure.

2. It also needs to be made clear that the amount of the User's capacity holding on which the rebate is calculated is the amount before any surrender in accordance with the new 2.8.10.
3. Further it needs to be made clear that the amount of capacity which the User is obliged to surrender at zero charge in accordance with the new 2.8.10 can never exceed the amount of the capacity for which the User receives a rebate under 2.15.
4. We understand that if capacity is actually available on the day the User (even though it will receive a rebate in respect of that amount in accordance with 2.15) will not be obliged to surrender that capacity and will be able to use it at no further charge and will not incur an overrun charge. Again we ask that this is made clear.
5. We assume that references to the Affected User are to the original acquirer of the capacity disregarding subsequent transfers.
6. We would ask for consideration of what is to happen to capacity on a rolling monthly and daily basis and whether National Grid is intending to continue to offer daily capacity in respect of amounts which have already been identified as likely to be reduced by Force Majeure.

We trust that you find these comments helpful.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Rashid Al Marri", written over a horizontal line.

Rashid Al Marri
General Manager
South Hook Gas Company Ltd

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