

Mr John Bradley

Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
B91 3QJ

Fergus Healy
Senior Gas Access Analyst
Regulatory Frameworks
UK Transmission
National Grid

Fergus.Healy@uk.ngrid.com
Direct tel +44 (0)1926 655031
Direct fax +44 (0)1926 653122
Mobile No

www.nationalgrid.com

11 September 2009

Re: UNC Modification Proposal 0262 - Treatment of Capacity affected by Force Majeure

Dear John,

Thank you for your invitation seeking representation with respect to the above Modification Proposal. As proposer, National Grid NTS offers support to this proposal.

Rationale

Under the current Uniform Network Code arrangements National Grid NTS may issue, in response to circumstances beyond its control, notification of a Force Majeure. Where such a notice is issued it will detail those National Grid NTS UNC obligations which are and/or will be affected by the Force Majeure. This proposal both seeks to provide additional clarity and to mitigate the impact to Users of a Force Majeure, where appropriate, at either an ASEP or NTS Exit Point where a Users Capacity rights are affected by the Force Majeure.

This proposal, if implemented, would result in a Force Majeure Rebate being issued to those Users registered as holding NTS Entry Capacity at an ASEP or Annual NTS Exit (Flat) Capacity at an NTS Exit Point, both where a Force Majeure has been issued and as a consequence Users Capacity rights have been affected. National Grid NTS considers that this proposal would:

- mitigate against Users operating at a single ASEP or NTS Exit Point being inappropriately or disproportionately affected by Force Majeure
- provide Users with a greater degree of certainty with regards to their treatment once Force Majeure has been called, facilitating the optimisation of Supply at an ASEP and providing additional clarity at an NTS Exit Point
- offset some of the continuing operating costs and the contractual risk Users face once Force Majeure has been called

Extent to which implementation of Modification Proposal 0262 would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

National Grid NTS considers that:

- In respect of Standard Special Condition A11 paragraph 1(a) (the efficient and economic operation of the pipeline system), this proposal, if implemented would introduce additional certainty into the UNC that will enable optimisation of Supply at an Entry Terminal under circumstances of Force Majeure affecting Capacity rights (whether or not such Force Majeure is agreed between parties). This proposal would also provide additional clarity to Users in relation to the Planning process at an NTS Exit Point where Force Majeure has been notified.
- In respect of Standard Special Condition A11 paragraph 1(d) (securing effective competition between relevant shippers), this proposal, if implemented, is likely to promote greater equality in the treatment of individual projects, hence encouraging future investment and improving effective competition between Shippers. This proposal may also secure effective competition between Shippers by ensuring that Users at a single NTS System Point would not be inappropriately or disproportionately affected by Force Majeure.

National Grid NTS would like to take this opportunity to confirm that:

- this proposal in no way limits a User's right to challenge a Force Majeure notice and does not impact upon the existing application of UNC buy back arrangements where a constraint occurs which is not covered by a Force Majeure.
- the Force Majeure Option(s) will only be exercised on days where a non Force Majeure related constraint occurs at that ASEP or NTS Exit Point and will only be exercised to remove the Capacity associated to that Force Majeure that has been prorated between the Users at that ASEP or NTS Exit Point.

If you have any questions, please do not hesitate to contact me.

Regards

Fergus Healy
Senior Gas Access Analyst