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John Bradley
UNC Panel Secretary
31 Homer Road
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West Midlands
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11 September 2009

Dear John,

Consultation on Modification Proposal 0262: "Treatment of Capacity affected by Force Majeure"

Petgas Trading (UK) Ltd ("Petgas") are pleased to be able to respond to the above consultation.

Under National Grid's interpretation of their Force Majeure obligations, we believe that this modification proposal provides an improvement to the current arrangements as laid out in the UNC. Petgas are in general agreement with the analysis of the benefits contained within the Draft Modification report, including the statements made about how the proposal supports the relevant transporter licence objectives.

Petgas would also comment that we believe the proposal has positive security of supply benefits for the following reasons:

- The existing UNC provisions under Force Majeure as interpreted by National Grid require a User who has bought Capacity to be liable to pay in full for that Capacity even where some or all of the Capacity will not be usable because of a situation where the full Capacity (baseline and/or incremental) at an ASEP cannot be provided by National Grid.

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- Parties who are considering investing in the GB gas market to provide either new import facilities or the extension of existing facilities may find such terms unreasonable and believe that under most commercial arrangements outside the GB they would be able to receive compensation under similar circumstances where booked Capacity has not been provided.
- By implementing this proposal, Users will receive a rebate for that part of the Capacity that has not been made available because of a declared Force Majeure event. Whilst this will not fully compensate for the under utilisation of the import facility, it is an improvement on the current contract and therefore improves the attractiveness of the GB market for such potential investors.

Comments on the draft legal text issued 4th September 2009

2.15.1

The Modification Proposal stated that the rebate would not be issued retrospectively. However the drafting of 2.15.1 could be unclear as regards how capacity under a Force Majeure that has already been issued at the date of implementation of the modification will be dealt with. Our understanding is that the rebate would be applicable to such capacity from the date of implementation even where the occurrence of the Force Majeure event has already been notified prior to the date of implementation.

FM Rebate Quantity

Under certain circumstances, the amount set out in the FM notice less any unsold quantity could be negative in which case the FM Entry Rebate Quantity would be negative, implying an Ad-Hoc invoice for a debit would be raised. Can the text be clarified to confirm that under such circumstances the FM Entry Rebate Quantity would be zero?

2.8.10

We believe the wording of 2.8.10 needs to be improved. The modification proposal makes it clear that only the quantity of capacity for which the rebate has been given is subject to being surrendered for zero charge on a day where National Grid needs to utilise a Capacity Management Agreement for the purposes of the management of a capacity constraint at an Aggregate System Entry Point. However 2.8.10 is worded (“... accept the surrender of **such** capacity” – Line 5) and it is not clear what **such** refers to. It could suggest that all capacity held by a User at the ASEP (being Registered Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity) may be accepted for surrender at zero charge.

It may be that the Capacity Management Agreement will provide this clarity but as we have not yet had sighting of the Agreement that National Grid NTS intends

to enact on behalf of a User, we believe that the UNC legal text needs also to provide this clarity.

Yours sincerely

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Saheera Ahmad
Senior Manager
Commercial & Business Development