

UNC Mod Panel Secretary
Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

04 December 2009

Dear John,

Re: **UNC Modification Proposal 0275 – Reduction in LDZ Exit Capacity for Supply Points with Significant Change in Usage**

Thank you for the opportunity to respond to this Modification Proposal. Northern Gas Networks (NGN) would like to offer the following comments in this modification proposal.

NGN is sympathetic to the current constraints placed on large I&C customers which does not allow them to quickly reduce registered demand, particularly in light of the current economic climate. Modification 0244 and its alternatives highlighted the complexity of these constraints, and in particular how any response to falling demand could be enabled beyond the Bottom Stop Supply Offtake Quantity (BSSOQ) which is determined by the peak daily demand during the previous winter period.

Following the determination by Ofgem not to implement any of the Modification 0224 proposals, National Grid Distribution raised Review Proposal 0264 to investigate further the extent of the issue with a view to seeking a solution which both responded to the issues contained within the decision letter, and that could be implemented with minimal system implications, thereby enabling a short term transitional solution.

The solution presented by National Grid Distribution has been further developed by the Review Group and has at all times sought to take into account the questions raised by Ofgem in response to Modification Proposal 0244, while delivering a solution that is able to be delivered in shortened timescales so as to deliver maximum benefit to shippers who wish to use the functionality.

The proposal will enable shippers to reduce their registered capacity (SOQ) using an exception process to a level which is below the calculated BSSOQ subject to the provision of consumer/shipper warranty. In order to reduce the risk of inappropriate use of the proposed process safeguards will also be implemented to rectify the position should the actual daily offtake quantity exceed the appealed limit.

NGN believes that this proposal addresses the issue of enabling quicker response to demand reduction while continuing to ensure robust mechanisms to prevent potential gaming. NGN

agrees with the proposer that this should be a transitional measure only and that long term measures being developed by Review Group 0264 should fully incorporate the changing future landscape including Interruption Reform and Exit Reform.

I hope these comments will be of assistance. Please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
Network Code Manager