

**Statoil (U.K.) Limited
Gas Division**

Statoil House
11a Regent Street
London SW1Y 4ST

Switchboard: 020 7410 6000
Central Fax: 020 7410 6100
Website: www.statoil.co.uk
Email: CSYK@statoil.com

Direct Line: 020 7410 6173
Direct Fax: 020 7410 6108

Julian Majdanski
Secretary, Modification Panel
Office of Joint Transporters
Ground Floor Red
51 Homer Road
Solihull
B91 3QJ

Tuesday 26 June 2007

Dear Julian,

Re: Code Modification Proposals 0149 / 0194A Gas Emergency Cash-out Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency

Statoil (UK) Limited (STUK) does not support implementation of Modification Proposal 0149 and offers qualified support for Modification Proposal 0149A.

STUK supports the principle of keeping the On the Day Commodity Market (OCM) open to shippers, during Stage 2 and beyond, of a Network Gas Supply Emergency Gas Deficit Emergency (NGS(GD)E). The OCM provides an open and transparent route to Users for bringing gas to the market and so keeping it open during a NGS(GD)E opens a further route to market for non-UKCS gas supplies, which potentially, could contribute towards minimising the duration of an emergency. We would qualify this, however, with the fact that it is unclear how much incremental gas is likely to be brought to the market in an emergency, through keeping the OCM open.

In the event the OCM does remain open, we agree that NG Gas NTS should continue to suspend its use of the OCM in line with the transition of physical balancing of the supply and demand balance by the Network Emergency Coordinator (NEC).

STUK does not support setting emergency cash-out prices on a dynamic basis, as described under Modification Proposal 0149. At Stage 2 of an emergency, the market has essentially failed to deliver and so setting cash-out prices on a dynamic basis would be unlikely to deliver any more physical gas to the market in what is primarily a command and control situation. It has also been highlighted in the Transmission Workstream that setting



ISO 14001 Certificate 156



ISO 9002

Certificate No. 34477

cash-out prices on a dynamic basis may be open to manipulation, which could result in driving up the cash-out price and, as a result, the market price, to a level that would not reflect underlying market fundamentals. Setting cash-out prices dynamically would also create uncertainty, which may make it difficult for shippers to respond, thus prolonging the duration of the emergency.

STUK has been involved in the various workgroups, tasked with considering gas emergency arrangements and we would recommend that the gas emergency arrangements are considered under a more holistic approach. Issues, with respect to credit, underwriting and the compensation shippers receive for selling gas to the market in an emergency also need to be looked at, with a view to understanding whether they are fit for purpose in an increasingly import dependent UK.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

Christiane Sykes
UK Regulatory Affairs Manager
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed.



ISO 14001 Certificate 156



ISO 9002 Certificate No. 34477