

Mr Tim Davis

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](http://www.nationalgrid.com)

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**Re: UNC Modification Proposal 0349 – Introduction of a Force Majeure Capacity Management Arrangement**

Dear Tim,

Thank you for your invitation seeking representation with respect to the above Modification Proposal. National Grid NTS supports implementation of this proposal.

**Rationale**

Under current Uniform Network Code (UNC) arrangements, National Grid NTS can issue a Force Majeure (FM) Notification (UNC General Terms Section B General), at an Aggregate System Entry Point (ASEP), and claim relief from any liability for any delay or failure in the performance of its obligations under the UNC, which is caused by or results from FM.

In circumstances where National Grid NTS is entitled to FM relief in relation to its obligation to accept gas tendered for delivery by Users at an ASEP, Users remain liable for the full value of their NTS Entry Capacity holdings at the affected ASEP, yet may be restricted in their ability to flow against them, in effect Users believe that they are paying in full, for a service which they may not be receiving in full.

National Grid NTS is of the opinion, that the introduction of a Force Majeure Capacity Management Arrangement (and the subsequent Force Majeure Option Arrangement(s)), in those instances of Force Majeure where Users are registered as holding Firm NTS Entry Capacity, and such Registered Firm NTS Entry Capacity rights are affected by Force Majeure, is a practical solution that addresses some of the issues that Users experience arising from National Grid NTS's use of Force Majeure.

Where National Grid NTS is entitled to Force Majeure relief in relation to accepting gas tendered for delivery by Users at an affected ASEP, National Grid NTS agrees with the Proposer that this proposal will:

- mitigate the risk of Users at new and existing Entry Points having to pay in full for booked firm capacity, where that capacity cannot be utilised in full, due to National Grid NTS claiming Force Majeure in relation to accepting gas tendered for delivery by Users at an affected ASEP, removing a potential obstacle to the development of new and existing Entry Points, which would improve the efficiency and security of the entire network.

- the use of a Force Majeure Option Arrangement, may provide Users with flexibility when tendering gas for delivery at an ASEP at which National Grid NTS has claimed Force Majeure, in relation to accepting gas tendered for delivery by Users, at the affected ASEP.
- remove a potential disincentive that may deter Users from investing in capacity at new and existing Entry Points, due to non recovery by Users of costs of Registered Firm NTS Entry Capacity which cannot be utilised, due to National Grid NTS claiming Force Majeure in relation to accepting gas tendered for delivery by Users, at the affected ASEP.
- reduce the impact of Force Majeure upon Users, by ensuring that a payment is made to such Users, in respect of costs associated with an instance of National Grid NTS claiming Force Majeure, in relation to accepting gas tendered for delivery by Users, at the affected ASEP. Such payment is made under the Force Majeure Option Arrangement, and that the costs of this are borne between National Grid NTS, and Entry Users.

National Grid NTS further agrees that that the Force Majeure Option Arrangement will, be treated as a NTS Entry Constraint Management Cost, and feed both into NTS Entry Capacity Neutrality (in accordance with UNC TPD B2.13.2), and the Operational Entry Capacity Buyback incentive.

**Extent to which implementation of Modification Proposal 0349 would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

National Grid NTS agrees with the Proposer that this Proposal would, if implemented, better facilitate the following relevant Objectives as set out in its Gas Transporter Licence:

- **Standard Special Condition A11 a) Efficient and economic operation of the pipe-line system.** That this Proposal 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). The proposal will require that National Grid NTS shares the risk and cost that is currently borne completely by affected Shippers and is likely to assist in reducing any perception that there is an incentive to call Force Majeure.
- **Standard Special Condition A11 b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.** That removal of the risk of Shippers at new Entry Points having to pay in full for booked capacity where that capacity cannot be utilised in full due to Force Majeure, will remove potential obstacles to the development of new and existing Entry Points which would improve the efficiency and security of the entire network.
- **Standard Special Condition d) Securing of effective competition (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.** This Proposal is likely to promote greater equality in the treatment of incidents of Force Majeure providing an equalisation of both the risk and cost between the Transporter and Shippers in relation to individual projects, hence encouraging future investment and improving effective competition between Shippers making the UK gas regime more attractive to developers when looking to invest. The Proposal may also secure effective competition between shippers by ensuring that the costs of a Force Majeure event are targeted solely at the Transporter and Entry shippers whilst ensuring that Users at an individual ASEP are not disproportionately affected by Force Majeure.

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

Regards

Fergus Healy  
Senior Gas Access Analyst