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05 January 2006

Dear Julian

UNC Modification Proposal 0054: 'Emergency Curtailment Quantity (ECQ) Methodology Statement'  
and 0054a: 'Modification to Codify Emergency Curtailment Quantity (ECQ) Methodology'

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Gas plc (UK Distribution) ("Distribution") is of the opinion that modification proposal 0054 should be implemented and that the alternative, proposal 0054a, should not.

The governance advocated in proposal 0054 may be subject to amendment by majority agreement of the UNC Committee and is an appropriate level of governance to apply to a document which essentially details the basis by which a calculation is undertaken. Where the committee is unable to agree to an amendment, a proposed change could be raised and processed as a UNC modification proposal. Implementation of proposal 0054 would allow "light" governance of the statement where parties are in agreement, or full governance with Ofgem adjudication, where the proposed amendment does not receive committee approval, or indeed, even just if the proposer so desires.

With this in mind, we believe implementation would be consistent with National Grid's licence obligation to promote "... *efficiency in the implementation and administration of the network code and or the uniform code.*" Accordingly, Distribution agree with E.ON's view, (but only in respect of this specific relevant objective), that implementation would be consistent with requirements of Standard Special Condition A11.1(f) of a gas transporter's licence,.

With respect to proposal 0054a, implementation at this stage is unnecessary as full incorporation of the ECQ statement would mean that should a party wish to change the calculation methodology, a UNC modification proposal would be the only means all changing any of the content. The arrangement detailed in proposal 0054 presents the most complete range of options for governance over the methodology and implementation would be consistent with the governance arrangements established by the implementation of Modification Proposal 0730 to the Network Code Implementation would introduce a strict hierarchy in to the calculation where now exists an element of discretion. This feature could be useful bearing in mind the infrequency at which these arrangements would take effect and the events that would be occurring while the calculation was being undertaken.

With respect to proposal 0054a, there are a number of other reasons why this proposal should not be implemented.

First, the proposal establishes a strict hierarchy in terms of the calculation used to determine the ECQ of a particular supply points. In the majority of cases it would be possible to adhere to the hierarchy, but in some case it may be necessary to deviate. We would not wish to see such a deviation as a breach of code, bearing in mind the that this process is only likely to operate very rarely and at times of intense activity and establishing the aggregate ECQ will require information to be obtained and collated from a variety of sources. With the implementation of proposal 0044, should a shipper wish to challenge their ECQ, a mechanism exists to correct for disputed individual supply point ECQs. The post event process should be used as the means of refining the ECQ rather than ensuring absolute accuracy while the emergency occurrence. At the very least, should proposal 0054a be implemented, there should only be a "reasonable endeavours" obligation on transporters covering adherence to the hierarchy and the obtaining of information from a specific sources.

Following the implementation of proposal 0044, substantial investment has been made to ensure that the existing methodology could be systematized. The system will in effect replicate many of the principles specified in 0054a, but nevertheless, it may be necessary to deviate on some occasions from the hierarchy proposed as some intervention may be required. Consequently, we believe it is appropriate that transporters should have some latitude regarding the calculation as, first and foremost, it is the transporters obligation to set a ECQ to ensure shipper incentive to be in balance in the event of an emergency being declared, established by the implementation of proposal 0044 remains effective.

Secondly, the system to replace the manual processing of the ECQ has just been commissioned and to establish how this matches the requirements of proposal 0054a has yet to be assessed. As a result it is not possible to say at this present time when proposal 0054a could be implemented. As proposal 0054 is about governance, it is practical to implement immediately.

Thirdly, it is not appropriate to say that each transporter could establish a shipper's ECQ differently. Whether the methodology is contained with in the code, or not, there is one methodology and this will be implemented via a common system used by all transporters. Therefore, we remain unconvinced that implementation would further the relevant objective pertaining to "*... the securing of competition between relevant shippers and between relevant suppliers ...*" as stated by the proposer.

To summarise, we believe it is appropriate to place the statement under the auspices of the UNC Committee, (and thereby by default within the UNC governance arrangements and in-line with many other similar documents), and not at this stage draft the entire document into the UNC.

Yours sincerely,

Declan McLaughlin