
Mr. Julian Majdanski
UNC Panel Secretary
Joint Office of Gas Transporters
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Solihull
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Dear Julian,

Re: Modification Proposals 0195/0195A: “Introduction of Enduring NTS Exit Capacity Arrangements”

ConocoPhillips (CoP) is the holder of a gas supplier (non-domestic) licence and a shipper licence.

CoP supports in principle the implementation of UNC195 and UNC195A, but we consider that UNC195A would better facilitate the relevant objectives.

We rank the proposals in the following order, in descending order of preference:

195A – support
195 – support
116A – support
116CVV – do not support (but least worst)
116BV – do not support
116VD – do not support
116V – do not support (but worst)

We consider that UNC195 and UNC195A represent a pragmatic and workable solution for enduring exit capacity arrangements *on the basis that change is inevitable*, and should enable the release of “spare” NTS exit capacity. They have been developed as the consensus of review group 166 and provide a reasonably sound basis on which to move forward and end the uncertainty and risk that the protracted progress of this issue has generated.

Below we consider the extent to which implementation of the proposed modifications would better facilitate the relevant objectives. Again we emphasise that we see the benefits of change as modest, and it is essential that both proposals are fully subject to robust impact assessment.

Gas Transporter Licence Standard Special Condition A11.1

(a) the efficient and economic operation of the pipe-line system to which this licence relates;

(b) so far as is consistent with sub-paragraph (a), the 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;

Both UNC195 and UNC195A would put in place a user commitment process for incremental investment, which should help to inform investment decisions for the NTS and so facilitate the efficient operation of the system. The proposals allow users to signal and secure capacity products over a range of time periods and provide National Grid with the information it needs to develop the and operate the system efficiently. The process described in the proposals for releasing and reducing capacity would better facilitate these licence conditions.

We consider that the inclusion of the off peak capacity service, which forms part of UNC195A, will enable utilisation of spare capacity on the system and therefore would best promote efficient operation of the system.

Both UNC195 and UNC195A require additional information to be made available which will improve transparency and enable the industry to be able to better monitor the situation as regards any scarcity of flexibility capacity. If necessary further modifications could be brought forward, but there appears to be no compelling reasons to bring forward more complex arrangements, such as the flexibility product to be acquired by shippers as set out in some of the 116 suite of proposals, at this juncture.

(c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

195A should provide for more cost reflective charges because off-peak users do not drive investments to meet the 1 in 20 demand obligations.

The framework for signalling ensuring capacity requirements would support National Grid in meeting its licence obligations concerning the provision of capacity for the 1 in 20 demand requirements.

(d) so far as it is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

- (i) between relevant shippers**
- (ii) and suppliers;**
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;**

Neither UNC195 nor UNC195A recommend the implementation of a flexibility product. We remain of the view that such an introduction would anyhow impose unnecessary complexity, risk and cost on existing shippers and potential new entrants, and would therefore be to the detriment of securing effective competition. CoP does not accept that is discriminatory to treat distribution network operators and direct connects differently as the markets for both are essentially different, with distribution network operators governed by a regulated price control regime and direct connects exposed to the competitive market.

UNC195A would tend to support competition between shippers by allowing off peak users to make better use of spare capacity on the NTS, particularly storage, interconnectors and plant with back-up fuel capability.

The implications of the implementing the Modification Proposal on security of supply, operation of the total system and industry fragmentation.

The introduction of a flexibility product, as set out in some of the 116 series of modifications, could discourage plant that is flexible operating in the best capacity

for the national economy as a result of the complex systems and processes that may be involved in changing profile notices. UNC195 and UNC195A do not have this disadvantage.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Walls', with a stylized flourish at the end.

Tim Walls
Gas Power and Emissions Operations Manager
ConocoPhillips (U.K.) Limited