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Dear Julian,

**Urgent Modification Proposal 0044: 'Revised Emergency Cash-Out and Curtailment Arrangements'**

Thank you for the opportunity to comment on this modification proposal. Statoil (UK) Ltd. (STUK) does not support this proposal and would like to make the following comments.

NG Transmission has proposed an Emergency Cash-out price of the prevailing SMP buy price for Users who have a negative Daily Imbalance. Users would be unduly discriminated against as SMP Buy could be set by only a small volume of energy, creating a penal cash-out price which could lead to shipper failure. STUK believe that Mod 0042 offers the appropriate incentives on Users to attempt to balance their positions under difficult circumstances.

Further more the proposal seeks to introduce an Emergency Curtailment Quantity Trade as part of the new measure to incentivise Shippers to balance. While STUK believe this proposal may have merit it needs further discussion and development.

In its proposal NGT state that the *'key issue to the functioning of the process will be the process by which each relevant Transporter calculates its element of the ECQ'* and that NGT believe *'a single methodology, comprising a number of steps.....could be applied by all transporters'*. It is therefore a concern that the ECQ calculations are not part of this proposal and not to be included in UNC. NGT have given assurances that the ECQ calculations will be discussed at a later date but, given the proximity of the coming winter and current time constraints imposed on the industry, we run the risk of entering the winter period and potentially an emergency situation with no clear understanding of how the ECQ values would be calculated.

The introduction of the 'P70 firm', adds a further level of complexity with little apparent benefit. Further clarity is needed as to the acceptable timing of a receipt of a 'P70 firm' by



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the transporter as the calculation of the ECQ and the appeals process will be strongly dependant on this. Currently there is a reasonable endeavours obligation surrounding the P70 which is assumed to be applied to the P70 firm, but as the proposed cash-out risk has the potential to be high, some further clarification is needed.

STUK do not believe that this proposal better facilitates the achievement of the Relevant Objectives as specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence.

It is questionable that increasing the Cash-out cost to Users during an emergency will increase security of supply. Once the market is suspended it is unclear how OTC trading would respond. Shippers would already be trying to ensure they are balanced prior to an emergency. It is not clear how increasing the Cash-out price after an emergency has been called, when there is limited opportunity to resolve an imbalance position, will improve competition between shippers.

STUK also believe that the process would benefit from some cost benefit analysis. The management of these processes during an emergency situation and the potential of resulting ECQ appeals could prove costly.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

Shelley Jones  
Regulatory Affairs Advisor

