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Modification Proposal 0275
‘Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage’

Dear John,

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

Whilst National Grid Transmission recognises that this proposal expressly excludes NTS Supply Points we would like to offer our support for this strictly time limited proposal. We appreciate that a number of Industrial and Commercial (I&C) customers are reducing their usage in these challenging economic times, which is evident in the reduction in gas demand seen recently and we appreciate that the recent economic changes were a rapid, unprecedented and unforeseen event. We acknowledge that the current regime process and timeframe for reflecting changes in a consumer’s level of demand may, if not changed, result in a mis-alignment between a consumer’s current anticipated demand and its booked capacity. The current arrangements may therefore restrict the ability of a User, at a Daily Metered (DM) Supply Point, to reflect these revised levels of usage.

We recognise that this proposal is seeking to address the above issue by allowing end consumers to amend their capacity baseline to better represent current market conditions. We acknowledge that following such a step change in the economic climate and in the absence of the opportunity to reflect this as presented by this proposal, the industry may find itself with baseline capacity holdings that are not reflective (i.e. over-stated) and therefore potentially providing a detrimental impact to the competitive market.

We therefore consider that, given the above, this proposal would better facilitate the achievement of relevant objective A11.1 (d) - the securing of effective competition between relevant shippers.

We are however keen to ensure that Users and end consumers are fully aware of the implications of reducing their capacity bookings. To this effect it should be noted by Users and end consumers, that, if they utilise the opportunity presented by this proposal to reduce their capacity holdings and subsequently wish to increase their capacity holding back to their previous usage, then it is our understanding that in the intervening period this capacity may have been allocated to other existing or new end consumers and therefore may no longer be available without incurring system reinforcement costs and associated lead-times.

We also agree with the proposer that suitable safeguards to prevent abuse of this opportunity are critical to this process and we believe that this modification proposal goes some way to addressing our concerns in this area, by ensuring additional charges are raised if the revised capacity is subsequently found to be below the level of capacity actually used. We also believe that the experience gained by this time limited proposal can be fed into a more enduring solution which is being developed within Review Group 0264 'Review of Industry Arrangements to Accommodate Reduced Demand at DM Supply Points'.

Should this proposal be implemented we suggest that in order to improve transparency within the charge setting process, it would be beneficial if uptake of this proposed mechanism was reported to the industry by all DNOs through an industry forum such as the Distribution Charging Methodology Forum.

We note that the proposal requires xoserve to undertake activities in addition to those that they currently undertake. As such we do not agree with the Proposer's statement that "*User Pays arrangements do not apply with respect to this Modification Proposal*". Whilst we understand that the proposer expects there will be limited systems and process implementation costs incurred by DNOs this has not actually been quantified and will be influenced by the take up of the service. Information as to the potential utilisation of the service is also somewhat undetermined and therefore we would ask that users provide additional information as to the take up of this new service. This information would both help Ofgem in assessing the merits of the proposal and enable xoserve to better understand the workload requirements.

We accept that the current "User Pays" arrangements do not lend themselves easily to an Urgent Proposal such as 0275. However, we do not believe that this should be taken as meaning that any future Urgent Proposal should automatically avoid having to quantify, and then establish who should pay, the additional costs incurred by xoserve to implement and administer the new arrangements.

We note that at recent Modification Panel meetings Ofgem have stated that they intend to provide further guidance on the application of the User Pays arrangements and we welcome this.

Please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Beverley Viney