

22 August 2005

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Dear Julian

RE: Code Modification Proposal 0044 – Revised Emergency Cash-out & curtailment arrangements

Thank you for the opportunity to respond to the above modification proposal.

Gaz de France ESS does not support this proposal.

Every prudent action should be taken to avoid a Gas Deficit Emergency from occurring. Supply-side response and appropriate pricing arrangements are important to this but also critical to this debate is demand side response, which should be considered as an integral part of pre-emergency arrangements. It is important to stress that all commercial demand side options should be fully developed by industry participants and accepted by Gas Transporters ahead of a potentially tight supply/demand situation. Demand side offerings should be exhausted before emergency conditions are declared and hence the requirement to change the current emergency cash-out prices became less necessary.

The use of System Marginal (buy) Price on the day is not an appropriate for Emergency Cash-out purposes and it is on this basis that Gaz de France ESS does not support this proposal. SMP buy price exposes Users and potentially customers to unquantifiable risk, which could be set by a single extreme outlying offer with small volume and high price (as recently experienced in the electricity market). The daily System Average Price proposed in modification proposal 0042 introduces a similar market priced incentive without the need for additional risks posed by marginal prices.

Gaz de France ESS however, welcomes the additional clarity provided by the proposer, over and above that contained in Modification proposal 0021, in relation to title trade quantities.

We believe that this proposal would degrade GT Licence standard conditions A11.1(d) ensuring effective competition between shippers by undermining competition; unnecessary risks could drive out existing shippers and act as a deterrent for new entrants to enter the market.

If you have any queries regarding this response please contact me on 0113 3062104.

Yours sincerely



Phil Broom
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Gaz de France ESS