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Dear Julian

RE UNC Urgent Modification Proposal 0050 – Storage Monitor Adjustment

Thank you for the opportunity to comment on this Modification Proposal.

I regret that it is again necessary to include within the representation to a Modification Proposal comments about process. The issue of the setting of Storage Monitor levels has been under discussion and scrutiny of the industry for several months leading up to this winter of 2005/06. The winter outlook report, published in May 2005, indicated a range within which storage monitors may be set in accord with scenarios based upon assumptions of beach deliveries, storage use and demand. Despite repeated requests from many stakeholders within the industry, the final figures for the levels of storage use, determined as Safety Monitors, were not issued until mid September. For this sequence of events to then be followed by the raising of this Urgent Modification which seeks to vary the level at which the Safety Monitors are set is a further uncertainty affecting Users assessment of their plans for gas supplies and use of storage facilities for this and future years. We are also concerned by statements made that failure to make such a change could lead to breaches of the relevant Safety Case(s). Since Shippers are not directly involved in the preparation of the Safety Case we feel that it is unreasonable to imply a forced change to the UNC on the basis of a bilateral agreement between the Transporter/ NEC and the HSE.

With regard to the Proposal itself, whilst we recognise that the ability to reflect a change in circumstances may be beneficial, the Proposal in its present form is extremely loose in its wording and affords the Transporter far too much latitude in setting the level of Safety Monitors. It also lacks any timescale for the introduction of such changes and therefore we believe that there could be frequent alternations to the Safety Monitors at very short notice, should this Modification Proposal be implemented. This would completely undermine the use and value, which Users may attribute to certain facilities. The proposal also ignores the commercial consequences for Shippers of any such change(s) merely protecting the Transporter(s). As such it seems an unbalanced proposal and may not improve overall Security of Supply.

In order for a Proposal of this nature to be acceptable it requires greater detail of the methodology to be followed in the determination of Safety Monitor levels and the assessment of the factors

which may affect that determination. Within the existing section of UNC, the two processes that currently could lead to a variation of the Safety Monitors are Demand Forecasts and severe weather. Both of these processes are relatively open and transparent to users and the rationale for amendment would be visible to all. This Modification proposal would introduce the ability of the Transporter to vary the Safety Monitors based upon their own assessment of expected deliveries to the system. This process is totally obscure and opaque to Users. Indeed the Transporter has been challenged on a number of occasions, that this assessment does not accurately represent the manner in which the market would react in terms of deliveries being available to the system at times of stress. Given that the consequences of resetting the Safety Monitors could be to increase the possibility of entering an emergency (it is possible that the action could immediately trigger an emergency), we believe that the process must be visible and subject to scrutiny and challenge. An initial view of this Proposal may raise concerns only about raising the safety monitor levels. However, it is also necessary to consider the effect of reduction of these levels as this would have significant consequences of a different nature.

In addition, in our view, a reasonable period of notice is necessary. We believe that at least seven days notice should be given of any variation to Safety Monitors. Similarly, in order to provide greater stability, we believe that it would be prudent to limit the number of times that the safety monitors could be varied through the winter period. For example, once set the safety Monitors should apply for a minimum period of one month before a further variation can be implemented.

We would also take this opportunity to re-iterate the concerns we have expressed previously that there is no methodology underpinning the discretion afforded to the Transporter under UNC Q5.2.5 a) in “reallocating the Safety Monitors between Storage Facility Types”. The manner in which this reallocation is applied will have a significant impact upon the instigation of an emergency and the ability to alleviate an emergency situation. This in turn will affect the way in which Users will assess their own use of storage facilities.

As the alteration of Safety Monitor levels would have far reaching consequences we believe that it should be subject to some form of consultation and consent process. Although the Modification Process itself may be too cumbersome, a requirement upon the Transporter to publish the rationale behind the “change in Transco NTS’s estimates of expected deliveries to or offtakes from the system” and seek views of Users, would add visibility and transparency to the process. The application of such change could then be subject to the approval (or veto) by the Regulator. We would cite the example of the consent process proposed in relation to the limitation of Entry capacity, although we do not believe that it need entail an obligation with the licence.

Please contact me if you require any further information.

Yours sincerely,

Simon Goldring
Head of Transportation