



**CHEMICAL INDUSTRIES
ASSOCIATION**

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Response to Modification 0050 “Storage Monitor Adjustment”

The Chemical Industries Association would like to take this opportunity to state that it is unable to support the implementation of this proposal at this time for the reasons stated below. The CIA believes that Transco’s current ability to decrease, adjust or reallocate the Monitors is sufficient, and can see little value in allowing Transco to raise the monitors, and so increase the likelihood of a Network Gas Supply Emergency (NGSE). We question why Transco has waited until October 2005 to raise this modification and why this proposal was not raised at the same time as Modification 0035 “Revision to Section Q to Facilitate the Revised Network Emergency Co-ordinator’s Safety Case”. In particular the CIA is of the view that:

- We do not have access to Transco’s scenario planning and the information that they have available, and so the CIA has to judge this modification on what information is available to ourselves against certain presumptions. We do not feel that Transco in this instance has provided sufficient evidence that it should be able to, or will need to increase the Safety Monitors as they have proposed. We would encourage Transco to adopt the Better Regulation Principles that have been imposed on Ofgem when making any proposals in order to allow industry to develop an informed and accurate view. If Transco were able to offer further evidence for the need and benefit of this proposal the CIA would be prepared to reconsider our opinion.
- The wording of 5.2.5 (c) does not prevent Transco from raising the Monitors to reflect the occurrence of severe weather that may impact supply and will impact demand. The CIA believes that the term “adjust” implies that Transco can both decrease or increase the monitors, and so feels that this provides adequate protection against their GS(M)R obligations.
- If the Safety Monitor is designed to protect priority consumers in a severe weather scenario, and the phrasing of Section Q paragraph 5.2.5 (c) allows Transco to adjust the monitor to reflect the occurrence of severe weather, then the CIA fails to see what information will become available that would require Transco to readjust the monitors. The fact remains that in a severe weather scenario Transco can adjust these monitors. The CIA fails to be convinced that Transco will need to increase these monitors in the event of mild weather.
- Allowing Transco to increase these monitors will have three impacts:
 - i. Increase the likelihood of a NGSE occurring;
 - ii. Create greater uncertainty, and fear, in an already volatile market. Even if this proposal were implemented, and Transco did not need to increase the monitors, Transco’s ability, and the threat that it might would have a detrimental impact on the market; and

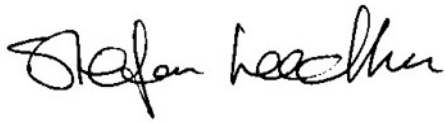


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- iii. Further decrease the market's confidence in these Monitor levels. It should be noted that setting the Firm Short Duration Monitor level at 407.8%¹ of available capacity has already resulted in industry questioning the validity and use of these monitors.
- There are benefits in allowing Transco to increase the monitor levels in certain circumstances. For example if beach supplies were lower than expected, or if severe weather demand was greater than expected. However lower beach supplies will only become relevant in the occurrence of a severe winter, or if there is a major outage. In the event of severe weather the CIA believes Transco is able to adjust the monitors, and in the event of a major outage in normal weather, the reduced demand will help to ensure that the Safety Monitors continue to protect priority sites.

If you have any comments about any of the points raised in this response please contact me.

Regards

A handwritten signature in black ink that reads "Stefan Leedham". The signature is written in a cursive, slightly slanted style.

Stefan Leedham,
Business Analyst

¹ Transco: "Safety Monitor and Firm Gas Monitor Requirements", September 2005.