

Mr. Julian Majdanski
Joint Office of Gas Transporters
Ground Floor R
Homer Road
Solihull
B91 3QJ

Declan McLaughlin
Commercial Manager – Customer
Service
declan.mclaughlin@ngtuk.com

Direct tel +44 (0) 1926 66914
Direct fax +44 (0)

www.nationalgrid.com

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Dear Julian

UNC Modification Proposal 0050: 'Storage Monitor Adjustment'

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

National Grid Gas plc (UK Distribution) ("National Grid") is of the opinion that, on balance, this proposal should be implemented.

National Grid is given to believe that this modification proposal raised by National Grid Gas plc (Transmission) ("Transmission") in order to establish in the UNC, the actions that it could take if circumstances arose that required it to make an adjustment to one or more of the safety monitors. The increasing of one or more of these monitors is a specific cause for concern for shippers. However National Grid is aware of Transmission's assertion that these actions would only be taken in order to comply with its statutory obligations under the GS(M)R, that is to take all necessary steps to prevent the incidence of an emergency. Against this principle, it would appear that the modification proposal is required in order to establish in the UNC, the actions that could be taken by Transmission which affect the commercial regime, and thereby ensure that shippers would be fully apprised of the effect of Transmission's actions on their respective commercial positions. National Grid believes that such clarity, which includes the inclusion of such provisions in the UNC, is consistent with a transporter's obligation only to modify the UNC where such modification furthers its relevant objectives. By including these actions, Transmission would clearly set out its intention to take all appropriate and necessary steps to prevent a potential or actual gas deficit emergency and ensure the continued economic and efficient operation of its system.

However, on the subject of safety monitors, the GS(M)R is not specific and it is Transmission's interpretation that has led to such steps being included as actions that could be taken in order to prevent an emergency being declared. National Grid would expect Transmission to have taken appropriate legal advice to confirm that such actions would be consistent with the intent of the regulations.

National Grid is not in the position to speculate as to the degree to which the safety monitors could be increased by Transmission, nor the degree of extra risk that such an amendment would exert on a particular shipper. National Grid would expect shippers to advise Ofgem confidentially of the extent that implementation would affect the risk profile to their businesses. However, it should be borne in mind that this additional risk has materialised in a market that is essentially short on supply, and in this context, it is foreseeable that implementation could cause the cost of gas to consumers to increase.

Implementation, therefore, may not be in interest of customers in terms of gas prices but is in the best interests of customers in terms of security of supply.

Given the balance of Transmission's statutory responsibility, applied in accordance with its general licence obligations as NTS system operator, versus the affect on the commercial risk to shippers, it is National Grid's opinion that that the proposal should be implemented.

Yours sincerely,

Declan McLaughlin