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The Joint Office, Relevant Gas Transporters and other  
interested parties

Direct Dial: 020 7901 7355  
26 September 2005  
Our Ref: UNC/MOD/050

Dear Colleague

### **Request for Urgent Status for modification proposal 050 "Storage Monitor Adjustment"**

Transco NTS<sup>1</sup> has written to the Gas and Electricity Markets Authority ("the Authority"<sup>2</sup>) to request that modification proposal 050 "Storage Monitor Adjustment" follows urgent procedures.

Following careful consideration, Ofgem has today agreed to Transco NTS's request for modification proposal 050 "Storage Monitor Adjustment" to follow urgent procedures. The reasons for making this decision are set out below.

#### **Background**

The concept of Safety Monitors was introduced into the Network Code in October 2004 to ensure that sufficient gas is held in storage to preserve the ongoing safe operation of the gas transportation system, and to ensure continued supplies to domestic, Non-Daily Metered (NDM) and other priority loads. The Uniform Network Code (UNC) requires Transco NTS to publish the Safety Monitors by 1 October in each gas year in respect of each storage facility.

In addition, the UNC requires Transco NTS to calculate and publish Firm Gas Monitors based upon the forecast of Annual Firm Severe Demand. The Firm Gas Monitors are published solely for the purpose of providing further information to the market, whereas Transco NTS will use the Safety Monitors as the trigger mechanism for taking additional action to avoid an actual Network Gas Supply Emergency (NGSE) (as defined in the Gas Safety (Management) Regulations (GS(M)R)).

Following publication of the Monitors, Transco NTS keeps under review the information upon which the monitors have been calculated and may as a result of the analysis undertake a number of actions as described in paragraph 5.2.5 of section Q.

These are to:

- a) reallocate the Safety Monitor and/or the Firm Gas Monitor between Storage Facility Types in order to enhance the security provided by current storage stocks;
- b) reduce a Safety Monitor and/or a Firm Gas Monitor to reflect longer-term demand forecasts (for example, during the later Days of the Winter Period); and
- c) adjust a Safety Monitor and/or a Firm Gas Monitor to reflect the occurrence of severe weather.

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<sup>1</sup> Transco plc holds two Gas Transporter licences; one in respect of its National Transmission System (NTS) operation and the other in respect of its Regional Distribution Network operation.

<sup>2</sup> Please note in this letter, the terms "Ofgem" and the "Authority" are used interchangeably.

Under GS(M)R Transco NTS is required to take action to minimise the risk of a NGSE. This is the obligation that drives Transco NTS approach to the Safety Monitors. An implication of this is that Transco NTS is obliged to keep the Safety Monitors under review and to make changes where necessary.

However, Transco NTS considers that the preclusion of an upward adjustment in the aggregate level of the Safety and Firm Gas Monitors raises a potential discrepancy between Transco NTS's rights under the UNC and its GS(M)R obligations.

### **Ofgem's decision on the request for urgency**

Having considered Transco NTS's request, Ofgem has decided to grant the modification proposal urgent status. In reaching its decision, Ofgem has taken into account the proposer's views regarding the imminent date related event, i.e. that a decision is needed ahead of this coming winter. Ofgem considers the justification for urgency accords with its guidelines for granting urgency status to a modification proposal.<sup>3</sup> In particular, Ofgem considers that if the modification proposal were to follow non-urgent procedures, there would be insufficient time for market participants to take account of the implications of any potential change to the arrangements ahead of the winter. In addition, Ofgem also considers that there may be a likelihood of significant commercial impact on gas transporters, shippers or customers if non-urgent modification procedures were followed in this case, as this would prolong any uncertainty regarding the arrangements in this respect.

For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of this modification proposal.

### **Urgency Timetable**

The granting of urgent status and adherence to the timetable below would ensure that the proposal is in a position to be decided upon and if appropriate, implemented ahead of this winter. The timetable for this modification proposal will therefore be as follows:

Sent to Ofgem requesting Urgency	21/09/2005
Ofgem grant Urgent status	26/09/2005
Urgent modification proposal issued for consultation	26/09/2005
Closeout for representations (10 working day consultation)	10/10/2005
Final Modification Report issued to Joint Office	17/10/2005
Modification Panel Recommendation	24/10/2005
Ofgem decision expected	1/11/2005

If you have any queries in relation to the issues raised in this letter, please feel free to contact me or alternatively, Fiona Lewis on 020 7901 7436.

Yours sincerely



**Nick Simpson**  
**Director, Modifications**

<sup>3</sup> [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700_Urgency_Criteria.pdf)