

Representation For 0050
"Storage Monitor Adjustment"

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External Contact: Tanya Morrison (Shell Gas Direct)
Slant: Against
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Abstract

Mike Berrisford
Secretary
Joint Office of Gas Transporters

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Dear Mike

Uniform Network Code Proposal 0050: 'Storage Monitor Adjustment'

I refer to the above modification proposal raised by National Grid UK Transmission (Transco NTS). It proposes to amend the circumstances under which Transco NTS can adjust the Safety and/or Firm Gas Monitors, including giving itself the ability to increase the Monitors to reflect its own estimates of expected deliveries to or offtakes from the system

Shell Gas Direct (SGD) does not support this modification proposal. SGD is supportive of proposals and industry developments which further the safety and security of the gas pipeline system. However, we consider that this proposal will not have this effect: it will undermine confidence in competitive gas market, raising costs for shippers and suppliers and in particular creates further uncertainty regarding the arrangements for this winter.

Safety Monitors were introduced through the implementation of Transco's proposal 0710, 'Removal of Top Up' (NWC 0710). The intention at the time of implementation a year ago was that Transco NTS uses the Safety Monitors as trigger mechanisms to avoid actual gas emergencies. These principles have now been undermined through the implementation of 0044 and the ex-post changes that Transco NTS has proposed through UNC proposal 0035.

Transco NTS refers to its obligations under the Gas Safety (Monitor) Regulations (GSMR) and 'potential' inconsistencies. These potential inconsistencies rest largely on Transco NTS's own recently developed interpretation. We are surprised that this was not noticed before, particularly given the extensive discussion and consultation which resulted in NWC 0710 being implemented. We cannot recognise Transco NTS's assertion that by making this proposal urgent it 'provide sufficient time for the industry to put the required arrangements in place for the coming winter'. We do not know what 'required arrangements' Transco NTS considers that the industry can reasonably put in place at such short notice. Instead all that

Transco NTS has done is created uncertainty and risk for its customers (shippers) and then for gas consumers.

We note that Transco NTS bears no financial cost by taking action to increase Safety Monitor levels. This could mean that it has done so in preference to taking more costly OCM actions earlier that day, the day before or by contracting ahead. We note again Transco NTS's reluctance to consider contracting ahead for demand-side management as discussed in Ofgem's decision on NWC0710. Such activity could result in improved security of supply not just by freeing up gas but through the price signals that a well designed mechanism could have produced.

Other due process issues which need to be considered in light of this proposal is the use of the urgency procedures and the Authority's obligations to have regard to best regulatory practice. In particular, given concerns this winter and last about tight supplies, the Authority will wish to demonstrate some consistency in its approach, particularly in relation to its decision on NWC 0710. The Authority will also need to consider whether the number of changes being implemented at short notice is creating such uncertainty and confusion in the industry as to undermine security of supply.

In Ofgem's decision letter on NWC 0710, it noted that concern about the lack of transparency in the calculation of the safety monitors. It recommended that Transco discuss with the industry issues on methodology. However, these calculations remain opaque and are not properly subject to consultation. This proposal does not make clear notice period that would be associated with changing the monitor levels nor does it provide clear criteria. The industry is being asked to rely on Transco NTS with 'its estimates' and 'any information available' to it.

It is again unfortunate that Transco NTS has not progressed this issue. It now appears that a year later, Transco NTS is looking at a change in approach without having the expected dialogue with the industry which could have looked at developing clear criteria for changing the monitor levels. We are concerned again that the use of the urgency procedures rather than being used for unexpected events can be, and is being, used to circumvent the need to have more transparency regarding Transco NTS's approach to how it interprets obligations by delaying discussions until timescales 'require' urgency procedures.

Shell Gas Direct does not support this modification proposals. It does not further the Relevant Objectives as it intervenes in the commercial decisions of market participants thereby undermining effective competition between shippers and suppliers. It could undermine long term security of supply by negatively impacting the economics of gas storage projects. It creates yet more confusion and uncertainty regarding the regime for this winter while demonstrating no obvious improvement.

Yours sincerely

Tanya Morrison

Regulatory Affairs Manager

