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Dear Julian,

Modification Proposal 0050 'Storage Monitor Adjustment'

Thank you for the opportunity to comment on this modification proposal. Statoil (UK) Ltd. (STUK) would like to make the following comments.

STUK do not support this modification. It will create the opportunity National Grid Gas to make significant increases to monitor levels without notice or discussion with those most affected. Ultimately it could increase the likelihood of an emergency. This is a blanket approach to a potential problem which could have a number of approaches to solve it.

Extent to which implementation of the proposed modification would better facilitate the relevant objectives

The National Grid Gas modification proposal suggests that the implementation of this proposal would improve "the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers". STUK believe that rather than providing an economic incentive to suppliers it creates a significant level of both financial and contractual risk. There is no economic incentive for shippers described in this proposal and the ability for Transco to hold a suppliers gas in store when it may have been planned to be used for meeting contractual obligations, exposes the supplier to the market and potentially high gas prices which will ultimately be passed on the consumers.

The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The implementation of this modification has significant implications on the security of supply of the Total System. STUK believe that if implemented the modification would lead to high



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levels of uncertainty for shippers and potentially increasing the risk of a safety monitor emergency. As it could act as an incentive to shippers to empty their storage stocks sooner than planned to prevent gas being locked in store by a sudden change in safety monitor.

The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, Producers and any non code Party

The amending of the NEC Safety Case without consultation of the Industry has again lead to discrepancies between it and the UNC, creating potential unacceptable risks for all industry parties. STUK believe that the opaque nature of the setting of the safety monitor levels and reliability of the information used to adjust these levels is a cause for concern. If National Grid Gas are able to, at any time and with no commercial implication to themselves (other than balancing implications) alter the monitor levels the number of potential and actual gas emergencies will increase as this proposal limits the actions that can be taken by shippers to avert an emergency.

It is difficult to see why this issue if it is a problem significant enough for an Urgent modification to be raised was not identified sooner. Raising this proposal after the start of winter creates a huge contractual exposure for suppliers, consumers and industry parties as it is proposed to be implemented after many winter contracts have been sold.

The ability for National Grid Gas to change the monitor levels will directly influence the market price by limiting the amount of gas available, affecting the efficient operation of the market which will lead to inefficient and insufficient investment. It will also send negative signals to Storage new builds deterring future investment and influencing the future security of supply position in the UK.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

Shelley Jones
Regulatory Affairs Advisor

