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Julian Majdanski
Modification Panel Secretary
Joint Office of Gas Transporters
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51 Homer Road
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21st November 2005

Dear Julian,

Modification Proposal 0061 'Facilitating further demand-side response in the event that a Gas Balancing Alert is triggered'

Thank you for the opportunity to comment on this modification proposal. Statoil (UK) Ltd (STUK) is not in support of this modification and would like to make the following comments.

As stated in its response to mod0062, STUK is in support of the principal of a Gas Balancing Alert (GBA), to signal to the market that a demand side response maybe required as it will increase the information about the operation of the system. It is not in support however, of the additional elements proposed in this modification.

National Grid Transmission have for sometime had the opportunity under their licence to utilise types of trades other than those available to it through the OCM. STUK recognise that it would still require modifications to the UNC to enable such offers to be accepted but do not agree that the proposals as set out in this modification represent the most suitable outcome.

Limiting the eligibility of Users who can trade OTC with National Grid Transmission will artificially restrict the offers that could be made available and limiting the opportunity to correct system shortfalls efficiently. Furthermore, by introducing further element to the calculation of cashout prices STUK are concerned that the calculation will become opaque and that prices will no longer be updated as quickly as they are on the OCM or may even be wrong.

The need for OTC trades to be manually entered into systems will lead to delays in the publishing of SAP, introducing the possibility of errors being published and prices creating delays in market signals. The lack of anonymity with OTC contracts may also have an impact on SAP and SMP as users making OTC offers will be aware that they are trading



ISO 14001 Certificate 156



ISO 9002 Certificate No. 34477

with National Grid Transmission and may be aware of changes in system clearing prices before other Users.

The proposal describes 'front loading' volumes for multi day trades, spreading volumes over the first few days of a period, regardless of the actual response required, and reducing the final few days of the traded period to zero. STUK are concerned that this is not an appropriate treatment of a multi day trade. The weighting of the daily price is based around a forecast of utilisation by National Grid Transmission. It is not clear how accurate such forecasts will be and could lead to artificial System marginal prices being created which are not representative of the cost of balancing.

While balancing incentives may be considered less important when considering balancing actions at times of system stress. It is unclear from the proposal how these trades will be dealt with in the balancing incentive scheme. The current incentives only recognise the current mechanisms, so no incentives will apply to the multi day trades, therefore National Grid Transmission will have no incentive to behave in an economic and efficient manner when accepting multi day trades on either the OTC or OCM.

As a result STUK do not feel that the changes outlined in this modification would lead to an improvement in the ability to balance the system once a GBA has been issues and could create confusion over cashout price formation and the costs of balancing. 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

Robert Cross
Regulatory Affairs Manager

