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### **Response to UNC Urgent Modification Proposals 0061 and 0062**

Dear Julian,

ExxonMobil welcomes the opportunity to respond to these two urgent modification proposals. Whilst we recognise the desire to take advantage of all measures that may help to secure the gas supply for the coming winter we question the necessity of raising such urgent modifications at such a late stage and wonder whether National Grid has considered its actions in the context of market stability. These proposals have been discussed through the Demand Side Working Group (DSWG), whereas it the appropriate place to review changes to the Uniform Network Code (UNC) is the Transmission Workstream; it was unfortunate that these proposals were not presented for development there before an 'Urgency' decision was requested.

Modification Proposal 0062 "Introduction of a Gas Balancing Alert" may on the face of it appear useful in signaling to the market that it is likely that a demand side response may be required and provide a trigger for commercial contracts that could secure such a response. However, we have some concerns that a de-minimus volume may trigger an Alert at D-1 which will then stay in place for the whole of the relevant Gas Day, no matter how the supply/demand situation changes. We ask National Grid to consider what impact posting of a GBA may have on the market when National Grid puts itself in the position of a distressed buyer as opposed to a residual balancer and whether it is able to meet its objectives of economy and efficiency in such circumstances.

As far as within day GBA posting is concerned we would prefer a process where publication times are fixed in advance or where there is an ANS alert provided in conjunction with posting of the GBA alert on the National Grid website.

On the assumption that National Grid Gas can fully justify to consumers the GBA process ExxonMobil offers support for Modification Proposal 0062.

We have rather more substantive concerns regarding Modification Proposal 0061 and do not support this Mod. Mod 0061 seeks to introduce two new concepts into Code that have the potential to distort the market, namely the ability for National Grid NTS to take Eligible Balancing Actions using 'over the counter' contracts and multiple day trades. Looking firstly at the proposal for National Grid NTS to enter into OTC contracts, we understand that this is designed to allow a route to market for end-users holding shippers licences and who may wish to sell gas to National Grid but who have not registered to trade on the OCM. Such OTC trades would be used to set both SAP and SMPB with costs feeding through into Balancing Neutrality charges; the lack of transparency involved in such arrangements would represent a backward step for UK market operations and creates the possibility of discrimination within the shipper class of users. As The number of participants able to take advantage of this proposal is very limited whilst market uncertainty, and therefore risk, is increased for the majority of the shipping community. The existing arrangements provide a path to market for end- users, either via their shipper, or in the case of end-users who ship on their own behalf, through their gas supplier/shipper arrangements. With regard to National Grid NTS accepting multi-day offers on the OCM and/or OTC, we do not fully understand how this is intended to work. It is our understanding that NG NTS trades in its role as residual system balancer and only acts to bring the system into balance. It is therefore not clear to us how it can know in advance what actions it may or may not need to take to balance the system on any day other than the current gas day. The methodology proposed for determining the cost of a multi-day trade that will be used to allocate Balancing Neutrality Charges, as the Effective Price for SMPB calculation, and the Effective Volume for SAP is based on assumptions made by NG NTS as to the probability of requirement. We do not know how these assumptions are made and they seem to us to be entirely subjective. The fact that such a trade has been made could mean that SMPB is set days in advance of the actual Day and may not necessarily reflect market trading on that day or whether the system balancer was required to take a balancing action. The Proposer lists as an advantage of the Mod "SMPB, SAP and Balancing Neutrality apportionment is reflective of forecast requirements in future days: targeting costs and incentives appropriately" but we believe that costs and incentives are better determined by actual requirements rather than by forecast requirements and we do not think that NG NTS' incentives were designed to take into account multi-day trading, and may therefore need to be reviewed. The fact that NG remains neutral to any costs arising from these trades means that, if this Proposal is implemented, scrupulous auditing will be necessary to ensure that they do improve the efficient and economic operation of the pipeline system. In summary we are only prepared to support the concept of a Gas Balancing Alert for demand-side response. We absolutely do not support Modification 0061. We trust these views will be taken into account, if you have any questions regarding this response, please do not hesitate to contact me.

Yours sincerely

Joy Chadwick