

Received by Email from INEOS Chlor 19/06/06:

Dear "gasgovernance",

CODE MODIFICATION PROPOSAL No. 0086 - "Introduction of Gas Demand Management Reserve Arrangements"

I refer to the above proposal. INEOS Chlor welcomes the opportunity to comment on this proposal.

The Need for Demand Response

As a large industrial consumer, we do not wish to have to undertake "Demand Response". Demand Response is in effect "demand destruction", which over the last winter was no doubt a mixture of temporary and permanent demand loss as consumers were unable to operate economically. We are concerned at the priority given to Demand Response (in for example the Winter Outlook Consultation) suggesting it is seen as a primary supply/demand balancing tool. It is apparent industrial consumers are paying the price of providing gas supply security.

Do we support the modification proposal?

Having put our comments in the above context, we believe that if Demand Response is needed then it is essential that arrangements are in place which ensure this is delivered in the most efficient way. Further, it should be the case that participants (end users) providing response are actually properly compensated for being unable to operate sites, with this compensation being paid directly to the impacted party, and not being retained by shippers.

We consider this modification is an attempt to develop such arrangements and we support the proposal.

Other comments

We note this proposal has been given urgent status, which we consider important and necessary to ensure it can be considered and, if appropriate, implemented ahead of the coming winter.

We also note the initial views of several shippers who do not support this modification. We understand this view is, at least in part, justified on the basis that they are in discussion with customers to put in place arrangements ahead of winter. We would note our view, from discussions with other gas consumers, that there seems to be little evidence that such discussions are actually taking place.

In conclusion, it is our view this modification has potential benefits and we fully support it being taken forward.

I trust these comments are helpful.

Please feel free to call me if you would like to discuss any of these points.

With very best regards

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