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8 November 2007

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Urgent Mod 0181. Scheduling
Charges calculation for Gas Flow
Days 22- 26 October 2007,

Dear Julian,

ExxonMobil Gas Marketing Europe Limited thanks you for the opportunity of responding to the Urgent modification proposal raised by National Grid NTS regarding the appropriate Scheduling Charges for gas days 22nd to 26th October (incl).

ExxonMobil does not support this modification believing instead that Scheduling Charges for this period should be set to zero. As the Proposer rightly says in the modification, Users ability to provide timely nominations was severely affected by the unavailability of the Gemini system and by the less than robust contingency arrangements that were in place.

We agree with the Proposer that amending the basis for levying Scheduling Charges may remove the risk of applying erroneously high charges, but we disagree that it is appropriate to apply an average charge. It is our understanding that Scheduling Charges act as an incentive on Users to improve the accuracy of their nominations and as such are a penalty on Shipper failure, but we do not think that it is appropriate for such charges to be viewed as a revenue stream for Shippers who are better at managing their portfolio nominations. In this instance we feel that it is simply not appropriate to levy charges given that a key part of the control facilities normally available to manage nominations, was not available.

We understand that this modification has been raised under an Urgent status in order to put a remedy in place before monthly invoicing is completed and is thus regarded as a short term measure, however, this incident has highlighted the inflexibility of how Scheduling Charges are applied within Code and we believe that if an appeals mechanism was introduced, allowing shippers to appeal against erroneous charges, then it would not be necessary to change Code every time exceptional events occur. Not only does National Grid have no mechanism to apply appropriate charges in unusual circumstances, shippers have no recourse

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to correct manifest error and, given Gemini's inability to identify and alert Users to material input errors, this seems to us to be a significant gap. Whilst it may not be possible to introduce an appeals mechanism in time to meet the immediate objective of Mod 0181, we believe that NG NTS now have an incentive to give it further serious consideration.

We do not think that it is appropriate to say that this modification will better facilitate the relevant objective of securing effective competition between shippers because it has been raised specifically to rectify a situation that has resulted from a failure of the Transporter's Gemini system. The proposal is for a one-off event and does nothing to promote competition between shippers. However, we believe that an appeals mechanism would fulfill the relevant objective to run an economic and efficient network by preventing overly-penal charges being applied in circumstances where shippers are not acting to deliberately mislead the Transporter and additional revenue is therefore being collected and re-distributed erroneously.

We trust that these views will be taken into account, please do not hesitate to contact me if you have any questions regarding this response.

Yours sincerely

Joy Chadwick