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**Re: Modification Proposal 0196: "Alterations to shipper penalties for end user failure to interrupt".**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Gas (Distribution), ("NGD"), does not support this Modification Proposal which has been raised by Total Gas & Power with the aim of removing sections G6.9.6, 6.9.7 & 6.9.8 from the UNC.

These sections of the UNC are commonly referred to as the "five strikes rule" and allow the re-designation of a shipper's whole interruptible portfolio as firm, or where the Transporter determines that the Firm Transportation Requirement would not be satisfied, the Transporter may charge firm Transportation charges. This applies where in any Gas Year the number of Failures to Interrupt (FTIs) is equal to or greater than:

(i) 5; or

(ii) if more, the number (rounded up to the nearest whole number) equal to 5% of the mean of the numbers of Interruptible Supply Points of which the User is the Registered User at the time of each such failure to Interrupt.

These provisions have existed since the inception of the network code and serve to promote appropriate behaviour on the part of the shipper at the 'front end' of the interruption process. Such behaviours would include; signing up customers who have the ability to interrupt, educating those customers, maintaining contact databases and setting up their own internal processes to effect successful interruption.

The act of physical isolation or the application of the FTI charge from the Transporters perspective all come at the point when the initial call to interrupt has failed which has the potential to effect the safe operation of the system and are targeted at the consumer end of the contractual chain. The "five strikes rule" is targeted firmly on the shipper to actively ensure the interruption process is maintained and operated and given the level of importance which is commensurate with its potential impact on system integrity.

NGD believes that shippers have the opportunity to back off the FTI charges through their contracts with interruptible customers. Therefore, the 'five strikes' rule remains the only contractual safeguard in place to reinforce the importance of effective management of the interruption process by shippers.

G6.9.8 allows for this remedy not to be applied where the User can demonstrate that it has taken reasonable steps to comply with the requirement to interrupt. NGD notes the view expressed by the Proposer that they "do not believe that there is enough clarity" ... in relation to reasonable steps. This subject has been discussed in the past at Distribution Workstreams (formally Supply Point & Billing Workstream) and whilst NGD does not support being prescriptive about how Users should manage this

process, the interruption team based at Hinckley is available to offer advice on industry best practice and procedures.

The 5 strikes rule has not been applied in over 12 years of operation of the code and, while failures to interrupt have occurred, this has not been down to the systematic failure of specific shippers to carry out their contractual obligations. We believe this rule draws into sharp focus the importance transporters place on the interruption process and the reliance we collectively place on shippers in the event of interruption.

We do not see a convincing argument to lower the contractual safeguards in place. The current rules deliver a low incidence of failure to interrupt. They ensure that shippers are mindful of the importance of their role in interruption and the severe consequences to themselves and transporters of systematic failure and they provide incentive to adopt high, consistent standards in the interruptible gas market.

In relation to better facilitation of the relevant objectives NGD does not agree with the view expressed by the Proposer. NGD believes that a Users ability to effectively manage their interruptible portfolio allows them an opportunity for competitive advantage. Additionally a more relaxed FTI regime would be contrary to SSC A11.1 (a) as more FTIs would potentially hinder the efficient and economic operation of the pipe-line system.

If you should you have any queries relating to this representation, please contact Alison Chamberlain on 01926 653994.

Yours sincerely

Phil Lawton

Distribution Regulation Manager