

Julian Majdanski  
UNC Modification Panel Secretary  
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**Re: UNC 163**

ConocoPhillips (CoP) is the holder of a gas supplier (non-domestic) licence and a shipper licence. CoP does not support UNC 163. We would also comment on the lack of clarity in the proposal as written up—it all seems rather hurried.

CoP supports the general principle of an inter-ASEP capacity transfer mechanism, but considers that the process needs to avoid creating distortions and unmanageable risks, be easily understood, mitigate uncertainty and result in the maximum capacity being made available to the market. We do not consider that any of the current proposals, including UNC 163, achieve these goals and have a number of clear deficiencies.

While UNC163 seems to be intended to address some of the gaming issues raised by 156/A, it falls well short of an holistic package, and there is considerable scope for competitive distortions and inefficiency, as well as unintended consequences. We remain very concerned about potential hoarding of capacity through the existing auctions and using tactical inter-zonal ASEP transfers to constrain gas being landed by competitors elsewhere in the zone, and the SPEM proposal addresses only one aspect of this. The proposed change also contemplates a complex process which places a significant burden on shippers, so raising barriers to entry, deterring competition and potentially increasing the cost of supply. Again there has been no consideration of the potential impact on TO and SO charging, and there is no explanation of the intended relationship with proposed longer-term capacity substitution.

The concerns we raised about timescales for the earlier proposals apply even more forcefully to this proposal and 156/156A given they are being fast-tracked. The timescale for commenting on previous proposals was extremely short, and the implementation date proposed by Ofgem gives shippers insufficient time to consider the full implications of the proposal or to prepare bidding strategies.

As we noted in response to UNC156/156A, given the importance of this proposal, CoP believes that a thorough impact assessment needs to be conducted and the results made available to the market before the proposal is considered suitable as an option for implementation.

Yours sincerely

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