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all gas and electricity customers*

All Stakeholders

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Dear Colleague

Date: 21 December 2009

Post-Emergency Claims Economic Assessment Guidelines

This letter informs interested parties of the publication of economic assessment guidelines that will provide the basis for Ofgem's assessment of Post-Emergency Claims and invites Uniform Network Code (UNC) signatories to provide feedback to Ofgem on these guidelines.

Background

UNC modification 260 was implemented on 1 December 2009.¹ As a consequence the UNC now stipulates that Post-Emergency Claims for payment in addition to the system average price for additional gas provided to the system in an emergency (in excess of a party's offtakes) may only be made for Physical Market Offers placed on the On-the-day commodity market (OCM) that remain unmatched by a counterparty at the end of the gas day. Claims would be registered at the price of the OCM offer when the market closed. As a result of UNC 260 the Authority is responsible for assessing the economic validity of these claims but the onus is on Claimants to provide a justification for the price of their claim. Ofgem will assess the validity of the highest priced 20% of claims as a matter of course but is able to assess the other claims if necessary.

National Grid NTS has provided Post-Emergency Claim user guidelines on its website.² Ofgem's economic assessment guidelines will be published on both National Grid's and Ofgem's websites.

Economic Assessment Guidelines

In order to provide additional clarity Ofgem has published guidelines outlining the criteria under which claims would be assessed.

The guidelines set out that, in assessing claims, Ofgem shall take into consideration the opportunity cost of delivering gas to the GB gas system at the expense of using the gas for other means where Shippers have the opportunity to do so.

The guidelines published provide the basis for our assessment, should it be necessary, with immediate effect. However we would welcome the views of interested parties on the

¹ <http://www.gasgovernance.co.uk/0260>

² <http://www.nationalgrid.com/uk/Gas/OperationalInfo/PostEmergencyClaims/>

guidelines. Following this consultation period we intend to review these guidelines on an annual basis.

Responses

Please provide all responses by 29 January 2010 either by email to ben.woodside@ofgem.gov.uk or by post to:

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Should you have any questions regarding the guidelines you can contact me on the number above or Ben Woodside on 020 7901 7471.

Yours sincerely,

Ian Marlee
Partner, Trading Arrangements

by email