



BP Energy  
Witan Gate House  
500-600 Witan Gate  
Milton Keynes  
MK9 1ES

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Kyran Hanks  
Director, Wholesale Markets  
OFGEM  
9 Millbank  
London  
SW1P 3GE

**Review of top up arrangements in gas – conclusions document**

Dear Kyran

We thank you for the opportunity to comment on the above.

We note that Ofgem recognise ‘that the removal of top up would be a significant change to the existing arrangements ‘and we share Ofgem’s concerns regarding proposals to introduce change within short timeframes. We therefore believe that it is imperative to demonstrate beyond reasonable doubt that the timescales suggested are necessary, and the implied additional risk is fully justified.

In our view it is vital to ensure that security of supply is not impacted detrimentally by the proposed changes. Robust procedures relating to proposals for ‘customers protected by isolation’ are obviously essential. Full details of these proposals are not available in the Ofgem document. Assurance of these procedures will we assume form part of the HSE’s assessment of Transco’s proposed safety case revision. Similarly we envisage that assurance work will also cover the likely effectiveness of market responses to published storage monitor levels.

We are not aware of the details of the specific customers that would be ‘protected by isolation’. There would we imagine be issues arising in relation to the existing gas supply contracts of these customers that would need to be addressed.

With reference to the short timeframes proposed for the removal of top up, and the implementation of alternative measures, we note Ofgem’s comment in section 2.15 relating to the fact that it published its initial proposals in May 04 in order that the industry would have sufficient time to assess and consider the impact of the removal of top up ahead of this winter. We would however point out that whilst change has been under consideration for some time, a number of possible outcomes have existed, and it was in fact stated by Ofgem in the same May document (in the penultimate paragraph of the summary section) that ‘It may not be possible therefore to remove top up completely from Transco’s network code and its safety case ahead of this winter.’

It has therefore been necessary for industry players to plan on the basis of the existing regime. Consequently we fully expect that players with existing arrangement will not be impacted adversely. We expect that mechanisms would be put in place to provide compensatory measures should existing contractual commitments made for this winter be negatively impacted by these proposed short notice changes.

Our response is not confidential and may therefore be placed in your library and on your website. We trust that the above comments will be of assistance. Please do not hesitate to contact the undersigned should you wish to discuss the contents of this letter further.

Yours sincerely

David Slack  
Regulatory Affairs