Modification proposal:	**Uniform Network Code (UNC) 260: Revision of the Post-Emergency Claims Arrangements**		
Decision:	The Authority[1] directs that this modification be made[2]		
Target audience:	The Joint Office, Parties to the UNC and other interested parties.		
Date of publication:	5th November 2009	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

For many years, the UK was able to rely almost entirely upon indigenous supplies of gas from the UK Continental Shelf (UKCS). UKCS supplies have declined and continue to decline. The GB market has become increasingly reliant upon gas from Norway, the continent and global Liquefied Natural Gas (LNG) markets (collectively referred to as "non-UKCS supplies" in this letter). As a consequence there has been much industry discussion of the Uniform Network Code (UNC) gas emergency arrangements.

Under the current emergency arrangements[3] National Grid NTS (NG) is responsible for declaring an emergency and relinquishing the responsibility for system balancing to the National Emergency Coordinator (NEC).[4] Five stages of alert may be declared, although not necessarily in sequence.

During Stage 1 of a National Gas Supply (Gas Deficit) Emergency NG will indicate a potential gas emergency and maximise use of linepack, storage and interruption. Under Stage 1 normal cash-out arrangements apply.[5] At Stage 2 (or beyond) of a Gas Deficit Emergency, the On-the-day Commodity Market (OCM) remains open but NG can no longer be party to any trades. At this point the NEC takes responsibility for physically balancing the system. Emergency cash-out prices are established, which under the current arrangements, are 'frozen' at the prices prevailing at the point of entry into Stage 2 (or beyond) of the emergency.

Whilst the NEC is able to direct flows from the UKCS and storage and make use of linepack, it does not have the powers to direct the flow of non-UKCS supplies. Only Shippers are able to procure the non-UKCS supplies that may be required to alleviate an emergency.

In order that parties offering gas onto the OCM in an emergency are paid for any additional gas (in excess of their contracted positions), they can claim for any financial costs incurred through the emergency claims process. Claims are assessed by a NG appointed claims reviewer and the costs of validated emergency claims are smeared across all parties. NG will recover the costs of claims from all Users on the basis of throughput on the relevant gas day.

[1] The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.
[2] This document is notice of the reasons for this decision as required by Section 38A of the Gas Act 1986.
[3] See section Q of the UNC
[4] The NEC Safety Case, in conjunction with the Gas Safety (Management) Regulations (GS(M)R) (1996), details the arrangements for co-ordinating the actions to be taken to prevent a supply emergency occurring or continuing.
[5] See section F of the UNC

Whilst UNC 149A[6], approved by Ofgem in October 2007, was considered to be an improvement upon the prevailing arrangements, Ofgem and a number of industry participants have continued to express concerns that the current arrangements do not provide sufficient incentives to deliver non-UKCS gas to the GB market in an emergency and may lead to an unnecessarily severe or prolonged emergency.

In February 2009 NG initiated an industry review of the emergency arrangements. UNC 260 was proposed as an outcome of this review.

The modification proposal

Under the current arrangements there is a lack of clarity surrounding the Post-Emergency Claims arrangements. In addition, the frozen cashout price and the smearing of Post-Emergency Claims across the industry by throughput, ignoring imbalance positions, are likely to provide ineffective incentives to attempt to avoid an emergency or seek to overcome a negative imbalance position once an emergency has been declared.

UNC 260 (the Proposal) seeks to:

1) Introduce criteria for submitting and receiving payment for Post-Emergency Claims;
2) Introduce revised processes for the recovery of Post-Emergency Claims costs; and
3) Introduce emergency claims information provision during and post the Gas Deficit Emergency day.

The Proposal would introduce a new process by which claims would be assessed. In order for gas supplied to the system by shippers (in excess of their offtakes) to be subject to a claim it would need to be placed on the OCM as a Physical Market Offer. Offer volumes and prices will be visible and available to market participants. OCM offers that are not accepted by other market participants will be submitted to the Post-Emergency Claims Agent who will determine whether the claims meet a set of mechanistic criteria.[7] Of the claims that meet these criteria, the lowest priced 80% of claims will be "recommended for payment". The highest priced 20% of claims will be deemed "subject to economic price assessment" by the Authority. The costs of all of these claims would be targeted upon Shippers with a negative imbalance position.

The modification is intended to clarify the emergency arrangements and provide incentives to Shippers to balance their position in an emergency and where possible offer additional non-UKCS gas onto the OCM without exposing them to excessively high cashout prices. The proposer considers that this modification would better facilitate the achievement of Relevant Objectives (a), (d) and (f) of Standard Special Condition A11 (1) of the Gas Transporters Licence for the reasons set out below.

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[6] http://www.gasgovernance.com/NR/rdonlyres/62213DA6-38D3-47CF-A4B9-A4843C42871F/20816/01490149AOfgemDecisionLetter.pdf
[7] See paragraph 4.5.2 of the Final Legal text for UNC 260
http://www.gasgovernance.co.uk/sites/default/files/02OCTOBER2009LEGALTEXTMod260legaltext.pdf

UNC Panel[8] recommendation

At the UNC Panel (the 'Panel') meeting on 17 September 2009, of the 8 Voting Members present, capable of casting 9 votes, 6 votes were cast in favour of implementing the Proposal. Therefore the Panel recommended implementation of the Proposal.

The Authority's decision

Given the need to put in place improved emergency arrangements as soon as possible this winter, and as the proposal has been subject to extensive discussion and analysis at a number of dedicated Transmission Workstream meetings, the Authority considers that it is appropriate not to conduct an impact assessment for this modification.

The Authority has considered the issues raised by the Proposal and the Final Modification Report (FMR) dated 17 September 2009. The Authority has considered and taken into account the responses to the Joint Office's consultation on the Proposal which are attached to the FMR.[9] The Authority has concluded that:

1) implementation of the Proposal will better facilitate the achievement of the relevant objectives of the UNC;[10] and
2) directing that the modification be made is consistent with the Authority's principal objective and statutory duties.[11]

Reasons for the Authority's decision

There were 8 responses to Joint Office's consultation. 5 responses were in support (of which 1 gave qualified support), 1 respondent was neutral providing comments and 2 were opposed to implementation of the Proposal. The views of the Proposer and those expressed by respondents are considered below.

The Authority considers that this Proposal will better facilitate relevant objectives (a), (d) and (f) of Condition A11 of the Gas Transporter Licence and is neutral in relation to the remaining objectives and will improve Security of Supply which is consistent with our statutory duties. The reasons for our assessment are provided below.

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipeline system to which this licence relates;

The proposer considers that the Proposal would improve the efficient and economic use of the pipeline system because:

- the introduction of such provisions may provide Users with an enhanced opportunity to better manage their supply and demand balance during an emergency;

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[8] The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.
[9] UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com
[10] As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547
[11]The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

- the improved transparency of the emergency arrangements would afford those Users that have a physical capability, to assist in the mitigation of a Gas Deficit Emergency;
- these changes may further encourage non-UKCS gas supplies into GB market as a User would have greater confidence that it would receive an appropriate level of financial recompense based on a prevailing market rate; and
- such actions may result in the restoration of normal commercial arrangements in a timely manner and this may therefore facilitate the achievement of this relevant objective during a Gas Deficit Emergency.

However, some respondents have suggested that these benefits would be undermined to some extent by the complexity introduced by the Proposal and Users uncertainty about their imbalance position.

The Authority agrees with the proposer's contention that the proposed modification will better facilitate relevant objective (a) of the UNC although we share the proposer's caution with regard to overstating the benefits the Proposal provides to attract non-UKCS gas. We consider that by more appropriately allocating the costs of an emergency upon those who fail to meet their demand, the Proposal will increase incentives upon Shippers to contract for gas and avoid a Gas Deficit Emergency. Whilst we consider that further development of the gas emergency arrangements is needed, we consider this proposal to be more capable of providing increased certainty to participants that they will receive an appropriate price for their gas and represents an improvement when measured against the current baseline. The current arrangements provide no guidance as to how claims for additional costs will be assessed. We consider that, by providing more certainty regarding how claims will be assessed, the Proposal provides the opportunity to offer additional gas (and additional demand reduction) into the market with more certainty over the price they will receive for the gas. In addition, the stronger incentives the Proposal provides for short Shippers to balance makes it likely that any offers on the OCM will be bought by counterparties, without recourse to the claims process.

Attracting additional gas

Some respondents have expressed the view that the improvements in price clarity associated with the Proposal will not be successful in attracting additional gas to the GB market in the case of an emergency as Shippers will already have maximised supplies in accordance with their Licences and the GSMR. One respondent considered that the proposed modification may even accelerate the declaration of an emergency by encouraging Shippers to withhold gas for later points in an emergency when they may be able to gain a higher price for their gas.

We consider that whilst —as respondents have noted— gas supplies will be maximised from UKCS sources in an emergency, it is important that Shippers have appropriate incentives to balance and to procure non-UKCS supplies whether through *ex ante* contracting or spot market purchases.

We consider that the proposed modification would put in place stronger incentives than the current arrangements for non-UK Shippers and demand-side players to provide additional gas. At the margin, the Proposal should also provide additional incentive to balance before going into emergency, as costs faced for being short during an emergency are likely to be higher under the proposed arrangements.

Relevant objective (d) 'so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant Shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant Shippers'

Transparency

Under the current arrangements, market participants would not know the price levels claimed by other Users until the claims have been reviewed by the claims reviewer. The proposer suggests that utilisation of the OCM as a Post-Emergency Claims bulletin board will improve price transparency. Combined with the associated improvements to the clarity of the UNC emergency arrangements, this will allow Users to manage their financial exposure to the effects of a Gas Deficit Emergency more effectively.

We welcome the improved transparency that the Proposal would provide in an emergency and consider that this would better facilitate effective competition between Shippers offering gas onto the OCM.

Cost allocation

The Proposer considers that by allowing Users to manage their imbalance position more effectively the Proposal may reduce the likelihood of Shipper defaults as a result of a Gas Deficit Emergency. However, a number of respondents have expressed concern about targeting the costs of emergency claims upon Shippers with an imbalance deficit position when this deficit may have occurred through no fault of their own. Some claim this could increase the likelihood of Shipper defaults and the potential "domino effect" of Shipper failure.

Whilst we appreciate that some Shippers may be out of balance due to events outside of their control, we consider that it is the Shippers' responsibility to mitigate these risks and that this proposed modification will create more appropriate incentives upon Shippers to take measures to do so. Moreover we believe that short Shippers will have greater incentives to endeavour (where possible) to reduce their imbalance position in an emergency by accepting offers placed on the OCM and look for sources of non-UKCS gas.

The costs of entering an emergency are potentially extremely high, particularly if stage 3 or 4 is reached. It is appropriate that those costs are placed upon the parties who are both responsible for maintaining their customers' supplies and best placed to manage the risks in order that that they can take the appropriate action to avoid the emergencies occurring.

Some respondents (opposed to the Proposal) have suggested that they consider that the likelihood of Shipper defaults is increased by the targeting of claims and, in the event of an emergency leading to Shipper defaults, alternative arrangements would be put in place to avoid this either through urgent modifications or government interventions.

Whilst it is open to Users to raise modification proposals at any time, we would be concerned if Shippers' were relying upon an assumption that these arrangements would be superseded and consider that Users should manage their risk appropriately, in line with the prevailing arrangements.

One respondent has noted that Users facing supply deficits may incur additional costs in making their positions less short but cannot claim for these.

It is the intention of the Proposal that short Shippers are incentivised to balance their position where possible and be willing to pay up to the volume weighted average price of emergency claims (VWAPEC) to do so. It would be inconsistent with the intentions of the Proposal for participants to be compensated for the costs of overcoming their imbalance.

Dynamic cashout

Some respondents noted the potentially adverse effects of dynamic pricing and targeting the costs of claims on short Shippers. During this consultation and the consultation for UNC 149 respondents opposed a dynamic cashout price on the grounds that:

- there would be large potential for gaming, which would be difficult to identify or prove;
- it may create perverse incentives not to trade in order to keep cashout prices low;
- Shippers will not realistically be able to respond to the signals as there will not be sufficient gas available;
- Shipper to Shipper trades are likely to set prices that do not reflect the marginal cost of gas; and
- there is potential for Shipper failure, which could lengthen or intensify an emergency.

Whilst we acknowledge these concerns, we consider that the proposed modification would provide more appropriate signals to balance than under the current arrangements.

The proposed Post-Emergency Claims validation process provides a mechanism to cap the costs of offers at reasonable levels.

We have stated in the decision letter for UNC 149/149A that some form of dynamic cash-out pricing, or other alternative arrangement, is required to attract gas and LNG into the GB market under emergency conditions. We consider that the Proposal provides an improvement on the existing Post-Emergency Claims arrangements and that by targeting the costs of claims upon short Shippers, the costs of an emergency will be more efficiently allocated than under the current arrangements.

Imbalance uncertainty

Some respondents have noted that Shippers will not know their end of day position with certainty in an emergency and therefore how much additional gas they can trade on the OCM. Trading on the OCM may move them from a balanced/long position to a short position in which case Shippers would incur additional costs as a result of this Proposal.

One respondent has noted that attempts to maximise beach flows will be reliant upon the "reasonable endeavours" of their beach suppliers and therefore Shippers cannot be certain of the volumes of gas that will be delivered. Shippers may also be unsure of the volumes of gas delivered where there is a constraint and the accuracy of their non-daily metered output nominations once public appeals have begun to reduce demand. Most significantly they note that Emergency curtailment will initiate firm load shedding of very large daily metered consumer (VLDMC) load but it is not clear how quickly Shippers will be informed of the speed with which or the extent to which cessation has occurred. Whilst Shippers can predict which sites are likely to be curtailed, Shippers first indication of the extent of firm load shedding will be when NG issues an Emergency Curtailment Quantity (ECQ)[12] trade for the load that did not commercially interrupt at stage 2. As an ECQ is given as an aggregate level across all transporters and all networks it may be difficult for Shippers to identify what proportion of the ECQ trade is attributable to their demand until after the gas day (potentially as late as 20:00 D+4) and this may be subject to challenge. As the process for challenging ECQs extends beyond the deadline for submitting post- emergency claims, Shippers will need to submit claims based upon the ECQ notified in NG's ECQ trade regardless of whether they believe it to be correct or whether it is subsequently adjusted.

The respondent notes that the ECQ trade arrangements have not been tested as part of National Grid NTS's annual emergency exercise and recommend they are incorporated into the exercise as soon as possible. They believe that without doing so it is inappropriate to assume that Shippers will be able to post accurate emergency claims for their long positions. They consider that the current arrangements —despite being vague— would allow Shippers to make claims with full information about their imbalance position.

They propose that given these uncertainties, Shippers may consider that the safest thing is to do nothing in an emergency situation as the consequences of trading based upon inaccurate imbalance information could make their commercial position worse.

We consider that whilst Shippers may not know their imbalance position with certainty they will be aware of the additional physical gas that they are able to procure in addition to their pre-existing contracts and be able to offer this into the OCM. If some of this gas is used to rectify a short imbalance position then Shippers will receive a scaled back emergency claim payment for the additional gas they have provided to the system and will have paid the appropriate price for that portion of the gas which they required to bring their position into balance. Whilst the value of the scaled-back claim may not be at the same price as the additional gas procured (since claims are scaled back in descending price order), this should provide an incentive for parties to price all of their gas at a similar level, around their marginal cost of providing it, which is what would be expected from an efficient market mechanism.

The opportunity to have an OCM offer or a Post-Emergency Claim accepted will encourage Shippers to post offers on the OCM even where they are uncertain about their imbalance situation. If Shippers were not to post a valid OCM Physical Market Offer, Shippers would receive only the frozen cash-out price for any additional gas flowed to the system which —depending upon the market conditions at the point of declaration of an emergency— may be significantly lower than the price that would be received otherwise.

The neutrality process

Much of the industry discussion around gas emergency cashout has been focused on whether the costs of emergency claims should be targeted upon short Shippers. For the reasons expressed above, Shippers argue that they should not be responsible for their imbalance in an emergency as the circumstances leading to an emergency may be out of

[12] http://www.gasgovernance.co.uk/sites/default/files/02_17_TPDQ.pdf

their control. As noted above, we consider that Shippers will be able to respond to the incentives and contract appropriately for a diverse range of supply and demand side options.

One respondent argues however, that Shippers may be unwilling or unable to respond to the incentives that such targeted costs would provide. They note that it may not be possible to partially accept a Physical Market Offer and the quantity may be greater than the party's expected imbalance position. Shippers may not be able to provide the security required by the Trading System Operator as prices could be very high. Shippers may also prefer to await the outcome of the emergency claims process in the expectation that Physical Market Offers will fail to pass the Post-Emergency Claims review process and in order to benefit from the extended period before which the costs associated with a neutrality smear would need to be paid. They also note that the indicative VWAPEC (published throughout a Gas Deficit Emergency) may include Physical Market Offers that have specified rates instead of volumes and may not therefore accurately reflect the full cost of the neutrality smear.

We consider that Shippers who accept Physical Market Offers that are greater than their projected imbalance position would be able to offer this additional quantity onto the OCM as an emergency claim in order to recover the cost they paid for the gas.

Whilst we are aware of the limitations of this modification in providing incentives to enter into OCM transactions where some parties may consider it beneficial to wait for the outcome of the emergency claims process, we believe that the strengthened incentives to balance would provide improvements over the current baseline.

Market arrangements in an emergency

It was noted in the responses that the Proposal is built upon the assumption that during an emergency, Shippers' behaviour will be informed by normal market considerations and question whether this assumption is valid. They consider that in such a situation Shippers' will be focusing on minimising the duration and impact of the emergency by maximising supplies.

We hope that Shippers will focus their efforts on ending an emergency, but it is important to fully incentivise delivery of non-UK supplies, and demand-side participation, which are not bound by the obligations to maximise supplies. It is still important to have robust signals in order to minimise the scale and duration of the emergency and to provide incentives to avoid an emergency being declared in the first place.

Demand side offers must be volumes not rates

One respondent has noted that on the demand side, market participants may place offers on the OCM as a rate but later (upon realising that Stage 4 Firm Load shedding is imminent) wish to offer their gas as a Volume in order to qualify for their emergency claim to be accepted. They note that this adds complexity to operating procedures when it is most important that complexity is minimised.

We consider that this should not be a significant issue as demand-side participants will be able to offer volumes as many times as they wish and can therefore give themselves the flexibility they desire. The changes to the emergency claims procedure mean that these participants can (and must) reduce their offtakes in accordance with their OCM offers at the time when they make the offer and will receive payment whether their offer is accepted or not. By offering volumes rather than flow rates participants will be able to overcome this complexity and also provide more certainty to other participants and the NEC about the levels of voluntary demand side response available.

Demand side response

Some respondents contend the assumption in the Proposal that additional demand side response may be stimulated by the Modification. They note that incentives to contract for demand side response already exist and yet demand-side participants fail to enter into contracts. Another respondent argues that all firm load that is price sensitive and readily able to respond already has sufficient incentives to respond before a stage 2 gas supply emergency is declared. Any remaining large firm load will need to arrange through its Shipper to post a demand side offer on the OCM before declaration of a stage 3 interruption notice if it is to receive any financial recompense, an action that the respondent considers to be unfeasible given the time constraints of the procedure for a Network Gas Supply Emergency,[13] especially outside of office hours.

We note that contracts providing the opportunity for demand-side response are not utilised to a great extent. However, we consider that the modification will place incentives upon Shippers to mitigate the risk of being in a deficit supply position in an emergency. As interruptible contracts are one of the tools available to Shippers to mitigate that risk they may be willing to offer more favourable terms to consumers willing to take interruptible contracts and this will ultimately increase their appeal for end users.

Unequal risk from imbalance

A number of respondents have raised the concern that some Users will have greater risk of exposure to the potential costs of defaulting as a consequence of a Gas Deficit emergency.

NG have suggested in their Proposal, in conflict with what they believe to be the consensus in the industry, that the greater burden of a Gas Deficit Emergency is likely to lie with 'supply side Users'.

Some respondents dispute this contention. They claim that whilst this may be the case in a situation where a loss of supply causes the emergency, where an emergency is a result of high demand caused by extreme weather conditions for example, the greater risk will be placed upon 'demand side' participants.

We accept that depending upon the situation, supply or demand side Shippers may have to shoulder a greater amount of the burden. However, we do not consider this to be a substantive issue as the incentives and signals provided by this modification apply equally to supply-side and demand-side Shippers.

Types of emergency

One respondent has suggested that the incentives placed upon Shippers to balance their position by targeting the costs of claims on short Shippers would be irrelevant in the case of an emergency that develops very rapidly as Shippers would be unable to respond effectively. They consider that the concept of a 'rapid emergency' could be adopted which

[13] T/PME/1 http://www.gasgovernance.com/NR/rdonlyres/30B5D957-606B-48B0-9CDA-5CFC24EEBABA/34006/FRONTCOVER.pdf

could be applied in situations where an emergency has been declared without National Grid having the opportunity to declare a Gas Balancing Alert. They consider that under these circumstances short Shippers would be subject to both cashout charges and emergency claims costs and this would amount to arbitrary reallocation of wealth to the detriment of competition once normal market operation is restored and could lead to Shipper failure.

Whilst we agree that the arrangements may be more effective under some circumstances than others, we believe that on balance, the clarity of the procedures and incentives to balance delivered by the proposal should improve competition. Furthermore we believe that a transparent targeted emergency claims process should encourage Shippers to consider ways of diversifying their supplies to mitigate risk of high charges associated with imbalances in an emergency, thus improving security of supply.

Gaming

One respondent has questioned the ability of Ofgem's powers under the Competition Act 1998 to deter Shippers from taking any opportunity to game the rules. We consider that in the event that an emergency is triggered, shipper behaviour is likely to differ according to the particular circumstances of that situation. Notwithstanding these differing scenarios we consider that the arrangements set out in the Proposal will provide a better balance than the current baseline between providing dynamic price signals and placing a check on the levels that prices can reach in any possible emergency. We have the ability to review all Post-Emergency Claims, and consider that we have sufficient powers under competition law if any evidence of anti-competitive behaviour arises.

OCM anonymity

One respondent considers that, with the Market Operator being compelled to reveal to NG the identity of the parties responsible for all of the offers remaining on the OCM at the end of the Gas Day, parties may be discouraged from providing additional gas to the market. They propose that details of Physical Market Offers should be released at the request of parties that wish to make a claim.

We do not consider that the release of this information to NG would harm participants offering additional gas onto the OCM. For the avoidance of doubt, this information would not be made publically available. We therefore do not consider the risk that parties would be unwilling to offer additional gas on the OCM for this reason to be significant. Furthermore we do not anticipate circumstances where parties who deliver additional gas to the system (resulting in a positive imbalance) would wish to opt out of receiving an emergency claim payment for gas which they have flowed onto the system in order to avoid the release of this information to NG.

(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code

The Authority considers that this Proposal will clarify the emergency claims process and remove some of the ambiguity surrounding the acceptance of claims.

Wider statutory duties

In making this decision, we have been mindful of our statutory duties including our duty to promote effective competition and to secure a diverse and viable long-term energy supply.[14] We believe that the Proposal is compatible with the concept of competition in the internal gas market and in accordance with the European Commission Security of Supply Directive (Directive 2004/67/EC).[15]

Need for further development

To support the implementation of the Proposal, Ofgem will develop Economic Price Assessment Guidelines which set out the criteria under which the economic assessment of post-emergency claims will be carried out.

A number of respondents have expressed concern at the piecemeal approach that has been taken to changing the gas emergency arrangements. We share the view that a wide ranging review of the arrangements is necessary as part of a broader review of security of supply in the GB market. One respondent opposed to the Proposal suggested that the security of GB gas supplies would be best served by allowing NG to purchase any additional non-UKCS gas under the direction of the NEC. They recognise that such a change is not achievable through modification to the UNC but should be considered in accordance with any HM government review of the security of GB gas supplies. The Authority considers that any such review should be conducted in light of the findings of project Discovery, on which a consultation is due to be published in early 2010.

We do not consider this modification to be a long term solution to the problem of attracting the necessary gas to the UK in an emergency. Whilst we believe the Proposal provides an improvement against the current baseline which addresses to some extent the existing inefficiencies associated with the misallocation of the costs of an emergency, we consider that further changes to the emergency arrangements are likely to be required in the future.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that proposed modification UNC 0260: "Revision of the Post-Emergency Claims Arrangements" be made.

Andrew Wright, Senior Partner, Markets

Signed on behalf of the Authority and authorised for that purpose.

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[14] http://www.ofgem.gov.uk/Markets/RetMkts/Compl/SLR/WorkGrps/VulnCust/Documents1/12492-Gas%20Act%20statutory%20duties.pdf
[15] http://www.energy.eu/directives/l_12720040429en00920096.pdf