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Joint Office of Gas Transporters,
UNC Panel, Gas Transporters, Gas
Shippers and other interested
parties

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Date: 19 February 2014

Dear Mr Jenkins,

Direction to amend Final Modification Report of UNC454 'Introduction of a Long Term Non Firm Capacity Product'

On 17 January 2014, the Uniform Network Code (UNC) Panel submitted a Final Modification Report (FMR) for UNC modification proposal 454 'Introduction of a Long Term Non Firm (LTNF) Capacity Product' (UNC454).

We share the industry's views that appropriate arrangements to allow earlier access to the National Transmission System (NTS) may better facilitate the UNC Relevant Objectives. However, we have concluded that we cannot properly decide upon UNC454 based on the FMR as submitted to us. We consider that the UNC454 FMR as currently drafted does not provide sufficient detail and that in accordance with Standard Special Licence condition A11 paragraph 15(b)(ii) the FMR should be revised and resubmitted.

UNC454 would, if approved, allow National Grid Gas (NGG) to exercise its sole discretion in making amounts above Baseline capacity available on an exclusive basis to certain users. There is no detail provided in the FMR on how NGG will determine what capacity will be made available or what criteria NGG will apply in making this decision. We also have no information on the source of capacity that would be made available. The FMR does not provide any justification or evidence to support the release of discretionary capacity to certain users in preference to other users. There is no clarity as to where LTNF buy back would be in the 'merit order' of curtailment compared to other users.

In summary, we direct that the FMR should be amended in order to provide clarity on the following.

1. Provision of sufficient evidence or criteria to justify the release of discretionary capacity to certain users on an exclusive basis in the light of NGG's obligation not to discriminate between users.
2. The criteria used to determine what (as in its source) and how much discretionary capacity will be available for use as LTNF (and not made available for other users, if that is the case).
3. The criteria for determining when the LTNF buyback option will be exercised, and in particular the order in which it will be exercised compared to other products that are subject to curtailment.

After addressing the issues discussed above, and revising the FMR accordingly, the UNC Panel should re-submit UNC454 to us for decision as soon as practicable. If you would like to discuss this letter please contact David Reilly on 0203 263 9648 or david.reilly@ofgem.gov.uk.

Yours sincerely

Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose