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Mark Feather
Director Industry Codes and Licensing
Ofgem
9 Millbank
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Code Governance Review: Role
of Code Administrators

Dear Mark,

ExxonMobil Gas Marketing Europe welcomes the opportunity to contribute to Ofgem's Codes Governance Review and we are responding to this consultation regarding the role of code administrators and small participant/consumer initiatives, in our capacity as a wholesale gas shipper and party to the Uniform Network Code. We will be largely confining our comments to matters relating to the UNC because our experience of the others codes covered in this consultation is very limited.

Key issues and objectives

Whilst we understand Ofgem's key issues with the current code governance arrangements and support the overall objectives of the review, we feel that the arrangements for the governance of the UNC will benefit from incremental change rather than a completely new regime.

Roles and responsibilities of Code Administrators

With regard to the suggested options of 'critical friend' and 'active secretariat' approaches to the role of administrators, we think that to some extent the Joint Office already does implicitly act in a 'critical friend' role and would see this as being most appropriate and possibly made more explicit .

Regarding the management of central computer systems, we do not have any knowledge of electricity codes or system administration but for the UNC we do not think that it is necessary for the Joint Office to also be responsible for the central systems. However, we do think that there should be a duty on xoserve to provide substantiated cost information associated with a

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mod proposal to the code administrators early in the modification process. This is fundamental to allowing industry participants to assess the benefit of the mod against the relevant objectives.

Governance and funding

As noted in the consultation, the Joint Office has an obligation under the terms of the Joint Governance Agreement to act independently and we think that the current staff take this obligation seriously and largely manage to do so. However, we understand Ofgem's concern that this may not always be the case going forward. We would see some benefit in increasing the independence of the Joint Office but we think that setting up an independent company and board structure may be disproportionate and may lead to considerable increases in costs and staffing levels. We see some benefit in Joint Office staff being provided by the Transporter because of the depth of knowledge required to understand the interactions of the various sections of the UNC. There is a potential for this experience and knowledge to be lost if the Joint Office were to be set up as an independent company recruiting externally, with the unintended consequences of weakening their role when in fact the intention is to make them a stronger arbitrator.

Whilst we understand that this review and its associated improvements will probably require the Joint Office to have more expertise and resources we would not want to see this develop into an overly bureaucratic business. Of the corporate governance options that Ofgem has suggested we would think that management unbundling (ring fencing) would be the appropriate structure for the Joint Office.

For the UNC we think that funding should continue to be provided under the price control with appropriate incentive to ensure continued standards of service.

Other potential Improvements

We think that Ofgem should have the option to 'call-in' and 'send back' code modifications as long as they are mindful of any issues that have arisen in the modification development that legitimately cause delay or make it difficult to reach a satisfactory outcome. It would then be necessary for Ofgem to engage fully with industry members to resolve the issues.

It would be beneficial to the transparency of the code modification process if code Panels published their reasoning behind their recommendations.

We do not think it appropriate for code administrators to raise modifications themselves, although they may have a role to play in assisting code parties to raise a modification in a form that is appropriate.

A code of practice for code administrators could be introduced as a means ensuring a measure of standardisation of process and behaviour across various codes which would make it easier for new entrants or consumer representative to understand. In the first instance this should be a voluntary code.

Small participants, new entrants and consumer representatives

We do not think that this area is of the same level of concern in the gas industry as it is in electricity where the number of small generators is expected to increase. The definition of a 'small participant' in gas is more problematic than in electricity because there is no easy measure by which to evaluate parties. Suppliers are almost always shippers as well and are therefore already eligible for election onto the UNC Panel and we do not think that it is necessary to devise a 'special category' of small shipper. Because of this we would support **Option 1 Status Quo "plus"** as being appropriate for the gas industry. Whilst we believe that all interested parties have plenty of opportunity to engage in modification debate under the current arrangements, an additional voting place could be added to the UNC Panel to allow Consumer Focus to vote on modifications, thus giving consumers an additional, more direct route to influence.

Because we are not aware of the level of difficulties that small participants, new entrants and consumer representatives are experiencing with the current UNC modification process we cannot judge whether establishing a separately funded and administered Advocacy Panel is appropriate, but it would seem to us to be a disproportionate response to a problem that is by no means obvious.

We hope these comments are helpful and if you have any questions regarding this response, please do not hesitate to contact me.

Yours sincerely,

Joy Chadwick