

ExxonMobil Gas Marketing Europe Limited
MP 42, ExxonMobil House
Ermyn Way
Leatherhead
Surrey KT22 8UX
+44 (0)1372 223151 Telephone
Facsimile
joychadwick@exxonmobil.com

Joy Chadwick
Snr Regulatory Analyst

ExxonMobil
*Gas & Power
Marketing*

27 February 2009

Mark Feather
Director Industry Codes and Licensing
Ofgem
9 Millbank
London
SW1P 3GE

Code Governance Review: Major
Policy Reform and Self
Governance

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 major policy reviews and self governance, 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.

We understand Ofgem's view that there are deficiencies in the code governance process, and agree that improvements can be made. For the UNC we think that the processes usually work reasonably well but think that the implementation of some of these new proposals would be easy and beneficial and we support the idea of classifying Modification Proposals to enable them to follow different paths through the governance process. It seems to us that Ofgem is the most appropriate body to carry out the filtering process to ensure that issues which impact consumers follow the correct path.

Major Policy Reviews (MPR)

Identifying Major Policy Reviews upfront seems to be a more sensible and transparent method to progress changes that Ofgem is required to implement as part of its statutory remit. Of the options for the MPR process suggested in the consultation we would support Option 1 – High level binding conclusions. Having carried out a Review, this route would give Ofgem the ability to present its findings to industry members and set clear expectations of changes that it believes are required. Industry members would then be able to develop the means by which the change will be delivered, avoiding the situation whereby Ofgem is both the progenitor and arbiter of the modification. Other measures could be implemented, such as the

Registered in England
Number: 2517230
Registered Office:
ExxonMobil House, Ermyn Way
Leatherhead, Surrey KT22 8UX

An **ExxonMobil** Subsidiary

ability for Ofgem to 'call in' or 'send back' mods (as suggested in the consultation on the role of code administrators) to give Ofgem the comfort that industry parties were not unreasonably delaying mod development or developing proposals that would not meet requirements.

We believe it is very important that the process for parties to raise an appeal with the Competition Commission remains in tact and is not undermined in any way, but do not necessarily think that any additional appeals mechanism is necessary because we are not clear who else would be in a position to hear such an appeal. However, the current appeal process excludes modifications that are deemed by Ofgem to be necessary for security of supply. This can be a very wide definition and it would be helpful if this is identified as part of the Policy Review, so that when Ofgem presents its findings to industry it is clear that the mod that is subsequently developed may not be able to be appealed to the CC.

We understand Ofgem's concern that areas covered in an MPR may then be subject to other modifications and we agree that this would not be an efficient outcome. However, Code parties do retain the right to raise modifications if they would better facilitate the relevant objectives and whilst it may be appropriate for Ofgem to postpone consideration of them we would not support a complete moratorium on raising mod proposals.

Self Governance

We think that the proposal to introduce Self Governance for some modifications is a good idea and can deliver savings in terms of Ofgem resource. The current UNC Panel structure works well and could easily implement Self Governance arrangements; therefore we do not believe that it needs to be changed. The voting members represent the code signatories and non-voting members, including consumer representatives, are able to attend Panel meetings and express their views. We understand that Ofgem is concerned that the interests of small market participants (not defined for the gas industry) and consumers may not be adequately represented but we are not aware of the extent of the problem in gas and therefore are not able to assess what measures are needed. Suppliers, shippers, and consumer organizations all attend Transmission Workstreams and engage in the debate and therefore it should not be difficult for any party to find a route of influence if they have particular concerns with a modification.

Whilst we do not think that the UNC process is an ideal model, we do think that it works reasonably well and that it only requires incremental improvement rather than a thorough overhaul, which we think would be disproportionate to the level of deficiency.

I hope these comments are useful and if you have any questions please do not hesitate to contact me.

Yours sincerely

Joy Chadwick