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27 September 2010

Mark Cox
Associate Partner
Industry Code and Licensing
Ofgem
9 Millbank
London SW1P 3GE

Open Letter Consultation:
Potential Significant Code
Reviews (SCR's)

Dear Mark,

ExxonMobil International Limited is responding to the above on behalf of its GB shipping and marketing entity ExxonMobil Gas Marketing Europe Limited (EMGME)

Background

With the changes to code governance expected to be implemented by the end of the year, Ofgem has indicated that it wishes to commence three Significant Code Reviews starting at the end of this year or during 2011. The three areas considered to be priorities are those of:

1. Electricity Cashout
2. Gas Emergency Cash Out (Security of Supply) including the possibility of reviewing cashout during normal operations
3. Smart Metering impact on wider industry processes

Our views are provided in relation to Gas Emergency cashout including the possibility of reviewing cashout during normal operations.

Response

We support Ofgem's plan to initiate a Significant Code Review on Emergency Cashout prices and if appropriate would also support a wider ranging review of cashout at the same time.

It has become clear during the course of the last year that there are widespread concerns that price signals/incentives within the GB market framework may not always be sufficient to

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guarantee adequate supplies for GB consumers. The Significant Code Review proposed provides a potential route to test these concerns.

There is no doubt in our minds that the review will be a significant work item for the gas industry for reasons Ofgem have described; and it may become more significant if there are developments within Europe over the course of the review that Ofgem would be duty bound to take into account and which might influence on the speed and direction of that review.

Review Group 291 have been looking at how the current default cashout regime might be brought up to date and National Grid have subsequently proposed Modification 0333 which even if supported is not scheduled for implementation until April 1st 2011. We have participated in the review group and supported updating of the default cashout prices consistent with changes in the market and elsewhere. However, we also note that Ofgem have allowed for a wider review of cashout (potentially including default prices) amongst its SCR activity and refer to seeking a more “dynamic” pricing formulation. We would welcome clarity in this respect if for no other reason than deciding how to prioritize resources.

Assuming that Ofgem are supported and proceed with this SCR we believe that it would be helpful if it presented its interpretation on the extent to which the current appeals mechanism in the Gas Act remains available to industry participants during the SCR process. We suggest this as a means of ensuring at the outset that the review can proceed and complete as efficiently as possible.

Please do not hesitate to contact us if you require clarification on any of the above.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'I. Trickle', with a horizontal line underneath.

Ian Trickle