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Dear Ian

Security of Supply SCR – NEC consultation response

Introduction

Thank you for the opportunity to respond to the consultation on the Gas Security of Supply Significant Code Review (SCR). I am responding as the designated Network Emergency Co-ordinator (NEC).

Ofgem's stated objective of minimising the risk of an Network Gas Supply Emergency (NGSE) occurring and, if one does occur, to minimise the duration, is welcome and I will support proposals that can demonstrably achieve these objectives.

Context

For clarity, the obligations and responsibilities of the NEC with respect to the management of a NGSE are set out in The Gas Safety (Management) Regulations 1996 (GS(M)R), which, in turn, are derived from the Health and Safety at Work Act 1974. These obligations carry the weight of criminal law and are separate and distinct from commercial provisions detailed within the Uniform Network Code (UNC). In effect, the NEC is appointed to be an independent body, whose primary role is the protection of public safety in the event of an NGSE. As such, the NEC must be allowed to take appropriate action, depending upon the particular circumstances of the case, to minimise the safety consequences of a NGSE. It is clear from this that a key element of the successful management of a NGSE is the independence of the NEC from the commercial interests of *all* industry parties, including the interests of National Grid as national gas transmission System Operator. The NEC's emphasis in performing its role in a NGSE is on minimising the possibility of a supply emergency developing; and where one does develop, minimising the safety consequences.

In this context I will confine my observations and comments to non-commercial matters, the effect that the options would have on the role of the NEC and the risks that may be introduced. I will not comment on the efficacy of the individual commercial proposals as this is a matter for market participants.

NEC Assessment criteria

The key objectives and criteria for the NEC in considering the options currently, and as they evolve during the SCR, are to:

- retain the independence of the NEC, unfettered by commercial considerations;
- maintain or enhance the clarity and effectiveness of NGSE arrangements;
- maintain or enhance the preventative measures in place to avoid an NGSE;
- maintain or enhance the ability of the NEC to direct physical delivery of supply and / or reductions in demand;
- enable industry participants to action NEC directions in a timely and effective manner; and
- enable efficient restoration of the NGSE to normal operation once system stability has been secured.

Option one

This proposal removes the ability of the NEC to direct supplies. It cannot be supported by the NEC in its current form, because it does not maintain or enhance the ability of the NEC to direct physical delivery of supply and / or reductions in demand. The option introduces a significant constraint on the NEC's ability to manage an NGSE to the detriment of public safety. It would impact on the NEC's ability to comply to its Safety Case, contrary to Regulation 5 of the GS(M)R. Non compliance with the Safety Case is a criminal offence.

From the consultation it is not clear if the ability to direct supplies would be removed in the event of an emergency arising out of a Safety Monitor Breach or Critical Transportation Constraint. It is important that, regardless of the type of NGSE in question, there is a common understanding and consistency in the actions industry participants take in all classes of NGSE.

It is noted that as the options develop, Ofgem will need to consult closely with the HSE to ensure consistency with Regulation 6 of GS(M)R. This regulation creates the duty of co-operation within GS(M)R, and defines to whom it applies. It is important that the duty of co-operation on parties to comply with NEC directions is not altered or weakened, as this would undermine the NEC's ability to protect public safety.

Options two and three

As Ofgem has stated in the consultation, there is no specific impact on the role of the NEC either for option two or option three. These options envision a central buyer function for NGG, the removal of shipper to shipper trading, the introduction of VoLL and compensation arrangements. While these elements would have no direct impact on the NEC, it is essential that commercial issues in an emergency do not provide perverse incentives which impact on the ability of industry participants to action NEC directions in a timely and effective manner.

Limitations of assessment

At this stage of the consultation, the proposals are not at a point where a meaningful assessment can be completed against all the NEC criteria. Specifically, it is not clear how the options will enable efficient restoration of the NGSE to normal operation once system stability has been secured and what the effect will be on independence of the NEC. As the detailed proposals develop and evolve, these two elements will need to be considered. It is noted that other options discussed at the Ofgem workshops with respect to obligations and the pre-emergency phase would also benefit from further development and consultation.

Close

As noted in the consultation, the GB Market has, to date, been effective in providing Security of Supply by incentivising market participants' behaviour to ensure supply and demand are maintained. As NEC I would welcome options that demonstrate how normal operation of the market can be further enhanced particularly in the pre-emergency phase. Clearly, any proposals that are developed through the SCR will also need to take account of any developments to the GB regime which are necessary to meet the requirements of the EU Gas Security of Supply Regulation. I look forward to further engagement with Ofgem as the consultation progresses.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Train', with a stylized flourish at the end.

Chris Train
Network Emergency Co-ordinator