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Dear Andrew

Significant Code Review – Gas Security of Supply

I am writing on behalf of the Major Energy Users' Council (MEUC) which is an independent consumer led body representing the interests of a large number of industrial, commercial, retail and public sector organisations and for which the use of electricity and gas is a significant factor in their operations' costs.

The Major Energy Users Council welcomes the SCR being carried out by Ofgem and this opportunity of providing customers' views on the proposals.

Addressing the questions asked in the draft decision consultation.

Chapter 3

Question 1 – No

Question 2 – Yes

Chapter 4

Question 1 – Yes

Question 2 – agree with level

Question 3 – Yes in the case of network isolation as the period of the shutdown is unknown

Question 4 – Yes

Question 5 – Not qualified to answer

Question 6 - Not qualified to answer

Question 7 – Little evidence that it will, especially if the compensation once an emergency is declared is less for commercially interrupted consumers.

Question 8 – Yes, but I do have concern at the delay of at least 9 weeks from the start of an emergency to the possibility of payments.

Chapter 5

Question 1 – Yes, but can be addressed as discussed later.

Question 2 – Yes

Chapter 6

Questions 1, 2 and 3 – yes

Appendix 3

Question 1 – yes, I believe an obligation on the System Operator to contract for fixed volumes of interruption on both the NTS and DNs using a tender process (not auction), with an option and exercise price, only to be used after a GBA has failed to bring sufficient gas to market. The System Operator could utilise the experience gained by the DNs in their tenders for capacity. The rules on how to administer the scheme could be developed using a UNC workgroup or alternatively by an Ofgem led workgroup as there are a number of issues that I have with Ofgem's comments in this section.

Question 2 – This would help but will be difficult to get agreement with all of the suppliers' lawyers.

Question 3 – The first thing to say is that we would not support an auction; we would however support a tender process as previously described.

Question 4 – Storage obligations raise more questions than they answer, what volume, who controls it, when can it be used etc. and overall is an expensive option.

In addition to the questions in the consultation there have been a number of "minded to" comments raised at the workshops that I wish to comment on.

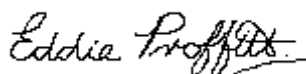
There should be no payments to "interruptible" DM customers instructed off by NGG in an emergency. I disagree, the purpose of a customer agreeing a commercial interruptible contract is to prevent an emergency, if however the action fails and an emergency is then called, an interruptible customer should not be penalised by receiving less than another customer who is interrupted but has done nothing to help prevent the emergency. Taking this proposal to its logical conclusion, if the shipper is not to receive a payment to pass through and he was not out of balance could the customer continue to take gas in an emergency? I don't think so! As one supplier commented to me, "if this proposal is implemented you can kiss goodbye to commercial interruptible contracts".

Payments for load shedding of NDM customers. Instead of the two options shown by Ofgem I would suggest that the responsibility should be that of the Transporter to prove that a consumer has failed to stop taking gas having been instructed not to.

Force majeure and insolvency. I agree that neither should be part of this consultation.

This submission is not confidential.

Yours truly,



Eddie Proffitt
Gas Group Chairman