

National Grid House
Warwick Technology Park
Gallows Hill
Warwickshire
CV34 6DA

Anna Barker
Senior Economist
Ofgem
9 Millbank
London
SW1P 3GE

Chris Train
Network Emergency Co-ordinator

chris.train@uk.ngrid.com
Direct tel +44 (0)1926 655539
Direct fax +44 (0)1926 656563
Mobile +44 (0)7836 335778

www.nationalgrid.com

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Dear Anna,

Network Emergency Co-ordinator response to consultation on Gas Security of Supply Significant Code Review – Draft Policy Decision

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

As described in my response to the initial consultation on the Gas Security of Supply Significant Code Review, dated 22 February 2011, the NEC is appointed to be an independent body whose obligation in a network gas supply emergency (NGSE) is to co-ordinate actions across the affected parts of the network to minimise the possibility of a supply emergency developing, and where one does develop, to minimise the safety consequences in accordance with the requirements of the Gas Safety (Management) Regulations 1996 (GS(M)R).

For the NEC to be able to perform its role successfully and fulfil its statutory obligations during a NGSE it is essential to continue to ensure the independence of the NEC from any commercial interests of industry participants. As such my observations and comments are confined to matters that the reforms, described in the Draft Policy Decision, could have on the role of the NEC and the risks that could be introduced.

I support Ofgem's aspiration to increase incentives on market participants to make sufficient investment to ensure security of supply. Reforms that minimise the chance of a NGSE occurring are consistent with the NEC's obligations under the GS(M)R.

Ofgem's proposals that the NEC would retain its existing role, continuing to authorise the actions proposed by the primary transporter to maintain system safety are welcomed.

Whilst broadly supporting the proposed reforms to the emergency arrangements, the reforms could introduce unintended consequences, most notably in a commercial sense, whereby gas shippers experience significant financial distress in the event of a NGSE which, if it resulted in one or more shippers becoming insolvent and unable to respond to NEC directions, could introduce a detrimental effect in performance and timing both in response to any directions to arrest such a situation and/or in the restoration of supplies thereafter.

I note the continued uncertainty that exists around the assessment and possible development of further market interventions under wider industry consideration and the timing of any such interventions and whether these could increase the risk of a NGSE occurring. To this extent, the comments above are limited to the measures set out around the Volume of Lost Load cash-out proposals, and may need to be re-assessed once further measures, if any, are proposed.

I look forward to further engagement with Ofgem as the Gas Security of Supply Significant Code Review final proposals are developed. Please do not hesitate to contact me if you wish to discuss any aspect of this response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Train', written in a cursive style.

Chris Train
Network Emergency Co-ordinator