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Dear Thomas,

Re: Gas Security of Supply Significant Code Review – Proposed Final Decision Document (111/12)

National Grid Gas Distribution (NGGD) welcomes the opportunity to comment on this consultation. NGGD is part of National Grid plc (NG) which owns and operates the high voltage electricity transmission system in England and Wales and operates the Scottish high voltage transmission system. NG also owns and operates the gas transmission system throughout Great Britain and through its gas distribution business transports gas in the heart of England to approximately 11 million customers. In addition NG owns and operates substantial electricity and gas assets in the United States.

As a Distribution Network Operator, our involvement in the SCR has been relatively limited, but nevertheless, as issues surrounding the operation of the Distribution system have arisen, we have been involved to a limited extent. These issues have principally related to the physical operations that may be carried out on the network during an emergency that impinge on us and how they relate on the commercial processes.

Firstly, we would like to raise a matter relating to the implementation of the proposal. An activity falling to the DNO is the collation and submission of consumption data to NTS to allow it to create the cash out imbalances that will form part of the commercial incentive package on shippers to remain in balance. We are conscious that these arrangements will run at times when the system, and those operating it, will be stressed to the greatest extent. Simply implementing this proposal is not sufficient to ensure it will operate in practice; rigorous and extensive dry-runs will need to be planned to ensure systems and processes operate as anticipated, so that in the remote event they are needed, they deliver.

Secondly, in terms of support systems development costs, we are not familiar with the exact process by which UNC legal text will be implemented into the Code. In the standard process, contained in the modification report, is a section that deals with system development costs. As DNO, we expect that we will incur some system development costs associated with extracting and processing data from central systems for inputting into the energy balancing equation. We believe that these implementation costs should not be borne by the DNOs as we are neither the cause nor the beneficiary of the process.

Consequently, in accordance with the established User Pays cost recovery mechanism, these costs should rest where they have been incurred, that is with NTS shippers – perhaps the fairest way of allocating these incremental costs would be to permit NTS to meet the system costs and, subsequently divide them up between shippers. This could either be achieved using an existing UNC neutrality mechanism or create a one off-charge in the ACS for the full costs to be apportioned using shipper total system UDQOs on the day of implementation.

Should you wish to discuss any matter within this letter, please contact Alan Raper on 07810 714756 or at alan.raper@nationalgrid.com.

Yours sincerely,

[by email]

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