

**ExxonMobil**  
*Gas & Power  
Marketing*

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National Grid TPCR5 Team

Preliminary Stakeholder  
Consultation TPCR5

ExxonMobil International Limited provides below its response to NGs consultation questions on behalf of its gas shipping entity in the UK, ExxonMobil Gas Marketing Europe Limited.

***Q1 – Before you read this document, were you aware of price controls? If so, what is your understanding of them and what do they mean to you ?***

We are aware of price controls which we see as a negotiated arrangement between Ofgem and National Grid on the detailed basis through which National Grid can receive revenue in return for the efficient construction and management of its current and future assets and its system operations including efficient delivery of gas and power supplies.

We see Ofgem as the party responsible for negotiating with National Grid in the consumers interests whilst National Grid negotiates in the interests of its shareholders where possible taking into account the views of its customers. The outcomes of the price control negotiation is subsequently detailed in Special licence conditions drafted by Ofgem. These conditions have in the past led to more or less modification of the various industry Codes ahead of or during the term of the price control.

We can make two further observations that we hope National Grid will be able to deal with in its approach to the next price control negotiation.

1. National Grids licence conditions for gas are complex and are not customer friendly.
2. Ofgem/National Grid have too often in the past leveraged the process of these bilateral negotiations to include terms in the Licence Conditions that provide a route to secure Code modification. This is not a customer friendly approach.

***Q2a – Whose views do you think we should seek as part of our Transmission Price Control Review stakeholder consultation? Please list all the organisations, types of organisations and individuals you think we should contact.***

National Grid provides a very long list (we counted 45) of stakeholders to be considered who may qualify for involvement in the consultation process. Ofgem is already arguing for the next price control National Grid must be more focused on its customers but surely not all of

the 45 in the list of stakeholder groups qualify as National Grids customers ? We would encourage National Grid to rank those groups according to whether they are customers rather than simply stakeholders. It is possible to argue everyone is a stakeholder whilst the list that qualify as customers is undoubtedly much shorter. There should be no doubt in National Grids mind that at the very top of the list, qualifying for the most extensive engagement are the existing shippers on who National grid currently relies for its revenue.

It would be entirely inappropriate (as well as highly inefficient) to conduct consultations on equivalent terms across 45 different stakeholder groups – such an approach would not provide GB gas and power consumers or NGGs contractual customers (shippers, parties contracted for connection etc) with a very warm feeling of efficiency.

Increasingly our observation has been (Government and Ofgem consultations over the last year or two ) that whilst multi directional “stakeholder” consultation is promoted on the basis of transparency and inclusiveness in practice it has become the means to secure fuzzy and complex outcomes ; this has two impacts that concern us and would concern GB consumers :

- (a) the opportunity for monopoly operators to improve revenues
- (b) the opportunity to avoid accountability

By way of example in respect of both (a) and (b) we could point to the case of ongoing delays to the Tirley PRI facility where NGG continues to charge shippers for transmission capacity that it continues not to provide.

Holding consultation across 45 groups offers much more opportunity for “pick n mix” of views and invariably leads to obscurity on the reasons or justification for a particular outcome, as everyone becomes mired in paper work that they have not the slightest ability to deal with. This approach would be entirely inconsistent with the current Governments objectives for simplicity and real transparency. The real consumer wants to know what he is getting for his money and to see that the parties he is paying are acting in an efficient manner.

It would be our clear preference therefore that National Grid should adopt a consultation pathway that starts narrow – with its contractual customers (shippers, parties with connection or other agreements etc) and broadens only where it becomes clear that wider consultation is necessary.

***Q2b – Which groups on the above list, if any, do you think we do not need to talk to in the course of this consultation? Please give reasons in each case.***

This is somewhat absurd – clearly if you ask 45 groups for their views about whether they should be consulted they will all say yes – and will say yes in 45 different ways. Our view is that this is a specific example of how a survey or consultation question provides power or control to the party asking the question.

Nonetheless our answer to the question is implied in our response to Q2a above – the large majority of the groups mentioned should be consulted only when it is clear that is appropriate, otherwise National Grid should start with its current contractual customers.

***Q3a – What methods and tools would you expect us to use in order to engage stakeholders in this Consultation?***

All of the methods listed by National Grid (Individual meetings, Group seminars, Information on website, consultation material - documents, fact sheets, presentations etc) will have their place except perhaps online surveys.

The outcomes from online surveys depend on the questions and may be useful only where users can be involved in the construction of the survey questions. Of the options – presentations and fact sheets tend to be shorter with the key points summarised and make engagement and discussion easier - lengthy documents should be avoided in the early stages. A separately identifiable website section with clearly laid out timetables for meetings, responses along with minutes of meetings and material presented and links to material referred to will be helpful.

Meetings should be conducted with relevant grouping of customer groups and not all customer groups together.

***Q3b – Which of the methods and tools listed above, if any, do you think we should definitely not use for this consultation? Please give reasons in each case.***

See answer to question 3a.

***Q4b – Having now seen our suggested list of themes, what further themes, if any, should we include in our consultation? Please outline why you think each is important.***

We have no additional themes to include; we support safety of consumers, employees and contractors as being the first priority and our only other comment is that we believe Market Facilitation and Reliability of The Energy Delivered would be better combined as one theme

“Facilitating market operations and security of energy supply”

We understand that NGG is sensitive about its role in security of supply as opposed to security of delivery of the supplies but in our view there is a clear connection between market facilitation (e.g. price signals under cash out arrangements in the Codes) and the contribution that makes to security of supply.

***Q4c – Which themes on our list, if any, should be excluded from the consultation? Please give reasons in each case.***

None – we agree they are all relevant.

***Q4d – What questions would you expect us to ask in our consultation under each of these themes, outlining why you think each is important?***

Given our views about starting the consultation process on a narrow rather than broad basis we believe you should address questions to shippers and other contracted parties that in the first instance relate to your views on Ofgem's recommendations on the Framework envisaged for the next price control. This is a good time to corral your customers to a common point of understanding of where we are at this juncture and before detail negotiations with Ofgem commence.

***Q5 – On the right is a proposed timeline, with the stakeholder consultation planned to take place***

between November 2010 and February 2011. Do you think the proposed timeline should be changed in any way? If so, please give reasons for each suggested change.

We would not object to the timeframe outlined – clearly the initial consultation would need to be consistent with the timing of GEMAs decision at the end of this year on the framework to be adopted for the next price control.

Please let us know if you need any clarification of our views but in the case you do not we look forward to seeing these obtain some traction within National Grid.

