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Modification Panel Secretary  
Joint Office of Gas Transporters  
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Dear Julian,

**Modification Proposal 0136: Reconciliation following AQ Amendment where an SSP becomes an LSP prior to calculation of Provisional Annual Quantity.**

Thank you for providing SGN with the opportunity to comment on the above Modification Proposal. SGN is supportive of this modification proposal.

Modification Proposal 640 was implemented in June 2004 to incentivise Shippers to monitor and pursue threshold crosser appeals. However it has been argued that it provides a perverse incentive to ensure that appeals are concluded prior to, and as close as possible to the start of the next AQ process as all supply points which have had successful appeals will be excluded from the subsequent end of year reconciliation calculations and will not be subject to the Annual Quantity Revision Difference Transportation Charges. From information recently presented it would appear the volume and value of energy unreconciled due to current exclusions is now significant. Whilst this proposal is keen to ensure Shippers continue to pro-actively monitor and pursue threshold crossers, we believe the removal of the exclusion from Annual Quantity Revision Difference Transportation Charges would be fairer, allowing the correct allocation of energy and transportation charges following revision of Annual Quantities, thus avoiding cross subsidies and improving arrangements to ensure that costs are not inappropriately borne by SSP Shippers, therefore facilitate the securing of effective competition between Shippers and Suppliers.

It is proposed where successful crosser appeals take place, that the Supply Point will not be excluded from the End of Year Reconciliation calculations, but be charged 90% of the User Difference Clearing Value and User Annual Quantity Difference Transportation Charge. Whilst 90% is arbitrary, we believe it does maintain a small incentive for Shippers to pursue early appeals and provides a better balance between ensuring that Shippers continue to have an incentive to monitor and pursue threshold crosser appeals, whilst ensuring that energy is allocated to the correct market sector. SGN would however recommend some monitoring to ensure the number of appeals doesn't deteriorate.

The proposal would still require xoserve to run a filter on sites; this would result in more sites needing reconciliation calculations and validation. Further work would then be required to ascertain 90% values. If this proposal was to be implemented xoserve has indicated this could increase the elapsed time of the calculations by two weeks using a manual process. There has been no formal impact assessment carried out by xoserve to ascertain the cost of changes to systems to calculate the 90% charge if systems, rather than a manual process was to be implemented. Registered Users of the affected sites would also receive additional reconciliation charges, and a larger number of individual reconciliations, which would all need to be validated. This is likely to represent an increase in administration time and cost for Users.

In summary SGN are supportive of this modification and although there could be areas where administration and systems development may be required any cost should be outweighed by ensuring the correct allocation of energy and transportation charges following revision of Annual Quantities.

We hope you find these comments helpful.

Yours sincerely

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