

Dear Colleague(s),

This is **Claims Validation Services Limited's** ("CVSL") response to the initial consultation on Changing the Gas Flow Day.

UNC/Shippers Licence requires shippers to co-operate to deliver timely and accurate allocation statements to NG for each Gas Flow Day. This duty has (since 1996) lain with CVSL, acting on behalf of all shippers by virtue of the Claims Validation Services Agreement ("CVSA"). CVSL is a non-profit making company (limited by guarantee) whose members are any shipper that applies for membership. A change to an 05:00 start to the Gas Flow Day in the UNC would be something that the CVSA could readily be amended to reflect by means of an amending agreement to the CVSA. This would require a resolution being passed at a general meeting by majority vote, a 28 day review of legal text and a further vote on the final draft. It is not envisaged that this would be problematic were the UNC to change.

The quality of allocation statements delivered to NG is also dependant on the Claims Validation Information Agreement ("CVIA"), pursuant to which producer data is provided to CVSL to allow effective validation of shipper claims. Without the CVIA the quality of month end allocation results would be materially adversely affected. Pre-CVIA, in the 1996 - 1999 period many individual sub-terminal days were materially under-claimed or oversold, leading to CVSL frequently and materially scaling back shipper claims. With the CVIA in place the system works as close to perfect as is attainable (e.g. in last month end close-out the aggregate quantity of over-claim was less than 7,000 kWh for the UK for the whole month). Pre CVIA individual sub-terminal days were oversold by millions of kWh on a frequent basis.

The CVIA binds producers to submit data to CVSL. The agreement has as parties CVSL, Entry Point Operators, Shippers and Producers (from gas fields, LNG importers and inter-connectors). There are hundreds of parties to the agreement. Unlike the CVSA there is no mechanism for amending the terms of the agreement. The CVIA specifically requires data to be communicated to CVSL for a Gas Flow Day commencing at 06:00. Without unanimous agreement, there is no way to change to an 05:00 Gas Flow Day.

Whilst securing the agreement of producers that are also shippers to a CVIA change would not be too onerous a task, there are many producers (not all delivering from the UKCS) that operate without involvement with either the UNC or Ofgem processes. I re-iterate that unanimous consent is required to amend the CVIA.

To secure their unanimous agreement would be a most daunting task to the point of potential impracticability.

If the quality of month end close-out results is prejudiced by means of the CVIA becoming untenable, the costs to the industry may in itself outweigh the benefits of a proposed change for which the benefits are unquantified.

Needless to say, the costs to CVSL (and hence shippers) of seeking to change to CVIA will be very considerable in relation to the total costs to the industry of running an effective Claims Validation process. (CVSL's annual budget is less than £1m per annum.)

If Ofgem (and the invitation is extended to your colleagues at DECC) would like to understand in greater depth the mechanics and significance of claims validation process, I am at your service if you feel that a meeting will heighten your awareness of CVSL's work.

Regards,

David Eastlake
Director and General Manager, CVSL