

Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

13 July 2006

Dear Julian

Re: UNC Modification Proposal 0092

Corona Energy (“Corona”) wishes to submit the following in response to the above modification proposal.

The Proposal

As the Proposer of the Modification Proposal Corona supports its implementation. The withdrawal of the ad hoc service previously provided by xoserve was both unexpected and untimely. The service was essential to the company, and we assume others, as it permitted Corona to access important consumption information for those sites which were classified as Smaller Supply Points. Access to information for these Supply Points, via the Supply Point Enquiry Service is prohibited under the UNC, except in certain circumstances, and we understand that it is for this reason that xoserve determined to unilaterally withdraw the availability of the ad hoc service.

The information, which was provided via the ad hoc route, is particularly relevant where Suppliers are participating in a tender for multi-site contracts where the portfolio of sites includes a number of Smaller Supply Points. In many cases the number of Smaller Supply Points forms a significant part of the overall consumption volume and as a result must be accurately accounted for when valuing the supply contract. As the Modification Proposal states the information allows for more accurate quotes for gas supply and where relevant can assist Users in hedging against future volume and wholesale price risks.

The restriction contained with the Modification Proposal, specifically the need for customer authorisation will, in our view; limit the total number of enquiries; provide protection to domestic Users; and disallow practices such as customer “cherry picking”.

Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Corona believes that the Modification Proposal better facilitates A11.1(d) of the Gas Transporters Licence. For the reasons stated in the proposal it will secure effective competition between relevant shippers and suppliers.

We wish to reiterate that we believe that the Modification Proposal will be of greatest assistance to smaller Users as relatively small volumes of gas can have significant impact on these businesses. The provision of the information outlined in the Modification Proposal will provide smaller Users with greater confidence in their pricing strategies and demand forecasts. Clearly, any Modification Proposal which encourages and enables competition in gas supply is a positive step for UK industry.

The implications of implementing the Modification Proposal on security of supply operation of the Total System and industry fragmentation

None

The implications for Transporters and each Transporter of implementing the Modification Proposal

Corona does not believe there will be any impacts on the Transporters, or their agent, xoserve. The ad hoc service was provided previously on a voluntary basis and at minimal cost.

The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

Corona believes that this Modification Proposal removes any contractual risk which may have been in existence during the period that the ad hoc service was made available. This Modification Proposal will enshrine in the UNC the service to be provided and the limitations on its operation. Crucially, the authorisation procedure requires that the User gains permission from the relevant customer to gather information related to its Supply Points. This process will provide the Transporters with the necessary protection against relevant legislation regarding the provision of data to third Parties.

The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other

implications for the UK Link Systems and related computer systems of each Transporter and Users

Corona believes that there will be no impact on UK Link Systems. Previously, the information requests and subsequent responses were carried out offline and we believe that this approach will continue following the implementation of the Modification Proposal. In any case, in the event that the volume of enquiries requires a potential Systems solution, then we would expect the associated costs to be minimal.

The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk.

For the reasons explained in the Modification Proposal and in this response we strongly believe that the implementation of this Modification Proposal would significantly reduce User contractual risks. It will permit more accurate pricing of contracts i.e. based on more robust demand forecast, and allow Users to employ a variety of hedging techniques to guard against wholesale price movements.

The Enquiry Service is an optional service to Users and as a result they are able to make individual determinations as to the value of the information compared with the administrative costs of gathering it.

The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

Corona believes for reasons stated in the Modification Proposal and in this response that implementation would benefit Suppliers and Customers. These benefits are realised by the fact that Suppliers would be more able to accurately quote for the Supply of gas and, therefore, minimise exposure to volume risks. Customers would benefit from increased competition in the Supply market which will ultimately lead to lower priced gas supply contracts.

Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

The impacts on these obligations and contractual relationships have been captured in previous points raised in this response.

Analysis of any advantages or disadvantages of implementation of the Modification Proposal

The advantages of this proposal are as follows:

- Significantly enhance a supplier's ability to more accurately quote for gas supplies for the coming Gas Year;
- Facilitate competition in the supply market. The release of relevant information will provide Suppliers with greater confidence in their pricing models and, therefore will be more pre-disposed to quote for the supply of gas.
- Overcome, to some degree the impact of the "portfolio effect" on the supply market. In particular it will assist smaller players, which face greater relative exposure to unpredictable future consumption, in implementing price and volume hedging techniques. Again this will facilitate competition in the supply market;
- The limitations enshrined in the Modification Proposal requiring customer authorisation before a User can request the information will provide the necessary legal and commercial protections to all Parties. In particular, it will prohibit marketing strategies aimed at identifying specific customer types.

Corona believes that there are no disadvantages associated with the implementation of this Modification Proposal.

We trust you find our comments useful and if you have any questions then do not hesitate to get in touch.

Yours sincerely

James Crosland