



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

9<sup>th</sup> November 2006

Dear Julian,

**Modification Proposal 0117: Amendment to Invoice Billing Period**

Thank you for providing SGN with the opportunity to comment on the above Modification Proposal. SGN does not support the proposal.

As a general principle, SGN is not supportive of retrospective application of Modification Proposals. Parties have no foresight of changes at the time the proposal is implemented and as such have no opportunity to respond or take action to mitigate any potential impact.

In terms of specific aspects of this proposal, it has been suggested that the period over which any adjustment to payments can be made be limited to 26 months, from the date on which the invoice is issued. The Proposer has clarified that this would apply in respect of debits and credits. However we are still unclear how the 26 months was arrived at. There appears to be no logical justification for 26 months. Assuming it is appropriate to set a time limit, it is essential that a balance is struck to ensure that charges can be appropriately adjusted in light of new information to ensure charges remain cost reflective and there is no unnecessary or inappropriate cross subsidy between Users. SGN is concerned that the above proposal has been raised as a hasty response to specific events. SGN believes that thorough industry discussion is required in relation to the current processes and timescales for adjusting charges to ensure an appropriate enduring solution is developed. This could be achieved through one of the Workstreams.

SGN notes that where adjustments are complicated or span a considerable period of time, it could take a considerable amount of time to carry out investigations, gather and validate data. In the specific incident referred to in the proposal, the incident was identified in June 2005, notified to the industry in August 2006 and is still subject to industry discussion. It is conceivable that by the time any invoice is raised, the actual period over which an adjustment could be claimed would be minimal or have timed out .e.g. assuming an invoice was issued in relation to the above event in November 2006, an invoice could only be issued from September 2004 through to June 2005 (less than 1 year). SGN does not believe it is appropriate to set the time limit from the date the invoice is issued. Further industry discussion is required on this point.

We note the Proposer's concern that regarding allocation arrangements based on current market share rather than market share over the period of the error or adjustment. We believe

consideration should be given to other ways of addressing this issue rather than simply limiting the reconciliation period. Further industry discussion is required on this aspect.

I hope you find these comments helpful.  
Yours sincerely

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