

Dear Julian,

**Modification Proposal 0122: Restriction of invoice billing period for Price Control**

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

In terms of specific aspects of this proposal, it has been suggested that the period over which any adjustment to payments can be made should be limited to the price control period beginning 1 April 2002. It is suggested that a price control period is a discrete period and allowed revenue once agreed is effectively closed out. As such it is implied that this is an appropriate basis for determining the extent of any subsequent reconciliation. It is proposed that this date is hard coded into the UNC until varied by a further modification.

SGN believes there is no logical justification underpinning the proposal, other than avoiding having to re-open a price control. However we believe the application of such a principle will have some unintended and inappropriate consequences. 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, on a consistent basis, to ensure charges remain cost reflective and there is no unnecessary or inappropriate cross subsidy between Users. We do not believe 0122 achieves these objectives. We believe it could act against the relevant objectives, particularly in relation to securing effective competition. We believe restricting reconciliation to specific price control periods will have inappropriate and unintended consequences, purely as a result of when the error is found e.g. If an error spanning 2 years is found at the beginning of a price control period, the extent of any reconciliation could be minimal e.g. days. However if the same error was found at the end of a price control period full reconciliation would be allowed. We believe this is arbitrary, introduces inconsistencies and uncertainties for Shippers and Transporters.

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. As such SGN supports Code Review Proposal 0126 also raised by BGT, to facilitate the "cross industry dialogue that this complex and potentially very costly issue warrants".

I hope you find these comments helpful.

Yours sincerely

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