

8 June 2007



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

Dear Julian,

Re: Draft Modification Report 0141/0141A

Corona Energy ("Corona") wishes to submit the following in response to the above draft modification reports.

Corona does not support the implementation of either of these modification proposals.

Corona is concerned at the performance of the industry in this area and is supportive of moves which attempt to rectify this wholly unsatisfactory situation. As both proposals point out, the volume of non-actioned USRVs is significant and this has obvious impacts on the industry, particularly on those exposed to RbD.

Corona has spent time and resources on ensuring that as a company we meet our UNC obligations and resolve the vast majority of filter failures, where we are able. Of course we understand that incentive mechanisms should be introduced where appropriate and in the event that they are not eliciting the behaviour for which they were originally conceived then they should be reviewed and probably restructured. In this case it is clear that the incentive mechanism has had limited success and it is right and proper that proposals such as 0141 and 0141A are produced and considered. However, where both proposals do fall short is; a) attempting to identify why the current incentive mechanism is not working; and b) developing an alternative mechanism based on reasoned analysis which will necessarily bring about the desired change in behaviours.

In terms of the first failing, it is not clear if underperformance is due to continuing data problems, commercial drivers, or most probably a combination of the two. In the event that the former is deemed to be the principle factor then it is not clear that a re-jigging of what is a very simplistic incentive mechanism will bring about the results we hope for. Alternatively, if commercial considerations are viewed as being the primary cause then the approaches proposed may not go far enough to induce behaviours consistent with the spirit of the UNC. It is our view, that this problem



needs to be considered further and as we recommended in our response to proposal 0115, it is clear that all areas which impinge upon RbD need to be reviewed in a structured manner.

Corona does not believe, however, that both proposals should be dismissed out of hand and does see merit in the scaling approach detailed in proposal 0141A. This approach would place some sort of value on longstanding failures, reflecting the fact that the longer they remain unresolved the greater the impact on the industry. Clearly, the size of the penalty is unlikely to be equivalent to the size of the impact on the industry but at least it goes some way in recognizing the increasing costs borne over time. Of course, the major weakness of this proposal is the level of the cap. On first review, it would seem clear that the existing cap is too low and with the proposed phasing of penalties as set out in 0141A it must be that the limitations associated with the cap will only be further exacerbated. Corona is of the view that the industry should consider the phased penalty approach in conjunction with a raising of, or complete removal of the cap.

For reasons stated previously, Corona does not believe that the approach outlined above should be immediately accommodated as it remains unclear as to why the problem with USRVs continues to prevail.

Corona does not believe that either proposal will better facilitate the Relevant Objectives. Proposal 0141 simply extends the current incentive mechanism without attempting to evaluate whether the structure is consistent with the overriding aim to reduce the incidents of USRVs. An arbitrary increase in the cap may not improve performance and as a result may have to be further increased at regular intervals. Proposal 0141A does attempt to restructure the incentive, on a reasonable and justifiable basis; however, the continuation of the current cap is unlikely to generate sufficient incentives to regulate future performance.

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