

Julian Majdanski  
**Joint Office of Gas Transporters**  
51 Homer Road  
Solihull  
B91 3QJ

Phil Lawton  
Distribution Regulation Manager  
Phil.lawton@uk.ngrid.com  
Direct tel +44 (0)1926 656448  
Direct fax +44 (0)1926 656602

[www.nationalgrid.com](http://www.nationalgrid.com)

3<sup>rd</sup> September 2007  
Your Reference 0167

**Re: Modification Proposal 0167: 'Changes to Reconciliation Arrangements under CSEP NExA'**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. National Grid Gas (Distribution) ("NGD") supports implementation.

We have been involved in all discussions which have taken place within the Ofgem facilitated group looking at issues associated with the CSEP NExA and where this proposal was developed.

We view this change as a pragmatic measure to address a historical issue and note that this is intended as a one-off solution which would permit future timely Individual Meter Point Reconciliation. We also understand that CSEP reconciliation would be permitted to be carried out on a more accurate and equitable basis which would minimise any cross subsidy through Reconciliation by Difference (RbD).

We note references within the Modification Proposal which refer to the interim nature of the reconciliation methodology. We firmly believe that once the benefits provided by these changes have materialised, going forward it is vital that existing contractual obligations contained within the UNC, iGT UNC and CSEP NExA (Annex A) are adhered to by all parties. NGD has consistently maintained a view that the structure of the existing regime is essentially robust albeit we believe that there may be a lack of incentive to perform. However, we would stress that the integrity of the UNC settlement processes is significantly impacted by CSEP activity and any degradation of performance in the timely and accurate transfer of data between iGTs and DNOs has an adverse consequential impact on the User community.

We therefore believe that prospectively it is particularly important that iGTs and Users ensure that consumptions provided to DNOs are regular and robust to enable CSEP reconciliation. For example, it is essential that such activities as 'must reads' and opening read estimates are procured/calculated by iGTs in accordance with the iGT UNC. We do not believe that it is necessary or desirable for Modifications of this nature to feature as part of the ongoing contractual regime.

In respect of ongoing performance, our service provider, xoserve has provided much support in providing data to assist the community in identifying problems and anomalies. We expect this involvement to continue.

For the reasons described above, we believe that this Modification Proposal furthers the relevant objective Standard Special Condition A11.1 (d) in securing effective competition between relevant shippers, suppliers and DN operators.

NGD welcomes the significant effort currently being expended by the industry and Ofgem in addressing problems which exist in CSEP market. We believe that further regime enhancements will be forthcoming and intend to maintain our full engagement and support in this respect. We trust these comments will be useful for compilation of the Final Modification Report

Please contact Chris Warner on 01926 653541 (chris.warner@uk.ngrid.com) should you require any further information with respect to the above.

Yours sincerely,

Phil Lawton  
Distribution Regulation Manager