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11 September 2007

Dear Julian,

Representation for Modification Proposal 0167: “Changes to Reconciliation Arrangements under CSEP NExA”.

WWU **supports** implementation of UNC Modification Proposal 0167.

The proposal has been developed following industry discussion, led by Ofgem, involving the Large Gas Transporters (GTs), the Independent Gas Transporters (iGTs) and User representatives. The proposal has also been presented at key industry forums where it has received good support with no specific issues being raised. To ensure full transparency the Proposer has developed this Modification Proposal to allow formal industry consultation to take place.

WWU agrees with the Proposer that these reconciliation arrangements offer a pragmatic solution to the historical problems associated with CSEP reconciliation. We believe implementation of the above proposal will allow outstanding reconciliations to be carried out on a reasonably accurate and equitable basis. This will allow the industry to move forward in accordance with the current contractual arrangements as set out in the UNC, iGT UNC and CSEP NExA. Following this one off exercise, future reconciliation can be carried out as intended, thus minimising any cross subsidy through RbD. If this Proposal is not implemented these un-reconciled periods will remain and all future reconciliations will fail validation and not be processed (due to missing reconciliation periods).

For these reasons we believe that this proposal furthers the relevant objective standard Special Condition A11.1 (d) in securing effective competition between relevant shippers, suppliers and DN operators.

We believe reconciliation arrangements as set out under the commercial framework are sufficiently robust for the enduring regime, providing they are adhered to, as such this proposal seeks to only allow this, time bound event, occur as a one-off exercise and it does not propose any changes to the ongoing arrangements.

This Proposal was also discussed at industry meetings on 11th September 2007 as issues have been raised in iGTs representations. The issues raised are indeed valid points; however, they do not occur due to this Proposal and hence do not negate its



merit. There may be a need to raise further UNC Modification Proposals to deal with the issues raised by the iGTs and this will be done as and when required.

We hope these comments are helpful.

Yours faithfully

Simon Trivella
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