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Re: Modification Proposal 0171 & 0171A: Amendment of “User SP Aggregate Reconciliation Proportion” to incorporate historical AQ Proportions.

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Gas (Distribution), (“NGD”), would like to offer support for both of these Modification Proposals and believes that implementation of either would better facilitate SSC A11.1 (c) .. the efficient discharge of the licensee’s obligations under this licence... on the basis that costs may be more accurately targeted. More significantly NGD believes, that it would better facilitate SSC A11.1 (d) (i) .. the securing of effective competition between relevant shippers and agrees that it may remove a potential barrier to entry for new shippers in the market.

On the basis that the methods advocated in both proposals are limited specifically to LDZ measurement error adjustments that are greater than or equal to 50GWhs, NGD acknowledges the view that the current methodology may be inequitable for adjustments of this size, particularly in the case of a new shipper or a shipper who’s market share has changed. It should be noted that if neither of the two Proposals is implemented the implementation of Modification 0152V will reduce the potential inequity of the current system, for these large adjustments, as the longest adjustment period would be five years. Should 0171A be implemented, in time all of the adjustments would be carried out based on the portfolio share at the time of the adjustment because after five years (max) there would be no retrospective issues i.e. the backstop date for invoicing will ‘step’ over the implementation date of the Modification.

NGD notes that Proposal 0171A refers to allocation “based on a daily AQ share”. As part of the discussions in the Distribution Workstream on 0171, NGD made it clear that in practice xoserve would apply a monthly aggregate AQ portfolio split. Proposal 0171 was amended accordingly. This aspect of 0171A will need to be clarified prior to the production of the associated legal text, which could be address via the “variation” route. NGD could not offer support for this Proposal if the calculation needed to be conducted on daily AQ as this would involve more significant system costs.

Whilst the development of a system to implement either proposal would be unlikely to create significant issues it should be noted that implementation of 0171A would introduce another stage to the calculation i.e. pre and post implementation date calculations.

NGD recognises that some weight may be given to the arguments raised, relating to the retrospective aspect of the proposal. In taking a view on whether to support 0171, NGD did not feel that the arguments put in this respect were significant enough to prevent support for the proposal given that that aspect of the proposal would eventually die away with the introduction of the 4/5 year backstop for invoicing (0152V). NGD recognises that 0171A goes some way to address these concerns and on balance NGD therefore prefers it subject to the variation that is required (as already detailed above). The effects of any retrospective aspects will be better understood by shippers who will take their own view on how they address these risks within their current pricing structure.

Should you have any queries relating to this representation please contact Alison Chamberlain 01926 653994.

Yours sincerely

Phil Lawton

Distribution Regulation Manager