



Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
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6th February 2008

Dear Julian

Modification Proposal 0188 / 0188A: Introduction into the UNC of the Agency Charging Statement (“User Pays”)

Thank you for providing SGN with the opportunity to comment on the above Modification Proposals. SGN fully supports implementation of Modification Proposal 0188 but does not support implementation of Modification Proposal 0188A.

Modification Proposal 0188

Modification Proposal 0188 simply seeks to give effect to the Agency Charging Statement through the UNC. The ACS is a key component of “User Pays” arrangements, due to be implemented in April 2008. Modification Proposal 0188 provides clarification in relation to which UNC activities will be covered by User Pays and the Agency Charging Statement.

The proposal also provides clarification that UNC services referred to in the proposal will continue to be invoiced in accordance with UNC TPD Section S.

SGN believes implementation of the Modification Proposal will provide clarity and ensure appropriate end to end arrangements are in place. It will also reduce the level of contractual risk for Transporters, as otherwise the UNC would continue to require one service to be billed in accordance with the Transporter’s Transportation Statement. This would be inconsistent with obligations placed on Transporters through User Pays.

SGN believes implementation of the above proposal should better facilitate the following relevant objectives:

- A11.1 (c) in so far as arrangements are required to comply with licensee’s obligations and relevant objectives and
- A11.1(d) in securing effective competition, as it will provide greater clarity within the UNC as to which UNC activities will be covered by “User Pays” and provide clarity as to where charges and associated arrangements will be set out.

Modification Proposal 0188A

SGN does not support implementation of Modification Proposal 0188A. We believe the proposal is inappropriate and lacks clarity.

Modification Proposal 0188A would require the Agency Charging Statement to be referenced in the UNC as an “Ancillary Document”. We do not believe there is such a term defined within

the UNC. We have assumed the proposal is referring to “Ancillary Agreement” defined in UNC TPD Section V.

SGN does not believe arrangements covered within the Agency Charging Statement fit within the definition and scope set for Ancillary Agreements. The definition of Ancillary Agreement relates to transportation arrangements, further defined in Standard Special Condition A3 of the Transporter’s Licence in relation to gas entry, exit or conveyancing arrangements. We do not believe User Pays activities and Agency Charging activities fit with this type of Agreement. We also believe governance arrangements surrounding Ancillary Agreements would be inappropriate e.g. Ancillary Agreements tend to be bilateral and as such provisions set out that they are amended with the agreement of the Transporter and User(s). As there is no proposal to amend the definition or arrangements surrounding Ancillary Agreements we do not believe this is a credible proposal. We are not clear whether there has been some confusion in relation to the term used in this proposal and whether the intention was to reference the Agency Charging Statement as a UNC Related Document (also defined in UNC TPD Section V). We believe the ACS would fit more naturally within this framework, particularly in relation to governance arrangements.

We also note that some sections of the proposal suggest “Contractual Documents including the Service Order, Service Schedule Terms and Conditions” should also “**be included and referenced** as ancillary documents”. Further clarification is required as there appear to be inconsistencies throughout the proposal e.g Section 2 under Proposed Business Rules suggests the Contractual Document would not need to be referenced in the UNC. It suggests it would be referenced through the ACS. However it suggests the Contractual Document would be an Ancillary Document, in which case we believe this would need to be set out in the UNC. The same lack of clarity exists in relation to Standards of Service and Terms and Conditions Document.

We also note that a list of Non Code ACS Services has been included and listed in the Modification Proposal. We are not sure what the relevance of these activities is in relation to this Modification Proposal as no other specific obligations or requirements appear to have been specified in relation to these activities.

We hope you find these comments helpful.

Yours sincerely

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