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7th February 2008

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

Dear Julian

Thank you for the opportunity to comment upon these Modification Proposals. We are **fully supportive** of the original Modification Proposal 0188 but are **not supportive** of the Alternative Modification Proposal 0188A.

1. The Modification Proposals

Modification Proposal 0188 enables the Transporters to facilitate the requirements set out in proposed Standard Special Condition A15 of the Gas Transporters Licence. The concept of User Pays has been discussed at numerous industry workgroups and, in our opinion, has general support across the industry. The inclusion of User Pays and the Agency Charging Statement (ACS) within the UNC gives clarity to the operation of User Pays and brings in the necessary transparent level of governance.

The Alternative Proposal 0188A seeks to make the ACS and the associated documents 'Ancillary Documents' within the UNC. There appears to be some confusion between 'Ancillary Agreements' and 'UNC Related Documents'; the term 'Ancillary Documents' does not exist within the UNC. Ancillary Agreements are defined within UNC TPD Section V 1.1.1 as an agreement between the Transporter and one or more Users setting out any terms of a transportation arrangement (as defined in Standard Special Condition A3 of the Transporters Licence), this is clearly not appropriate for User Pays and the ACS.

If the intention of the Proposer of Modification Proposal 0188A is for the documents to become UNC Related Documents it would be useful for i) industry discussion on the justification for this, and ii) further clarification within the Proposal. We do not see that it is appropriate for such governance arrangements to be in place for the ACS or any if the User Pays related documentation. As stated in the original Proposal, the ACS contains methodologies and charges for non-code ACS Services. It would be wholly inappropriate for such documentation to become UNC Related Documents. As per the Licence Condition, the ACS has been published for consultation by the Transporters. Following this consultation phase the Transporters require

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

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approval by the Authority to implement the concept of User Pays; we believe this delivers the appropriate and necessary level of governance that is required.

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

We do not believe either Proposal would better facilitate this relevant objective

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;

We do not believe either Proposal would better facilitate this relevant objective

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Either Proposal will better facilitate this relevant objective as it assists the Transporter to comply with the obligations set out in the proposed Standard Special Condition A15.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

The introduction of User Pays Services allows for greater transparency of costs and a certain level of choice in the services that are subscribed to by Users. This therefore better facilitates this relevant objective by securing effective competition between relevant shippers through better targeting of costs.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers;

We do not believe either Proposal would better facilitate this relevant objective

Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

We do not believe either Proposal would better facilitate this relevant objective

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the system

We do not believe that implementation of either Proposal will present such implications

b) Development and capital cost and operating cost implications

Both Proposals will introduce an equal level of development and operating cost, it is our opinion that such charges form part of the cost that is passed on to the User through the User Pays arrangements

d) Analysis of the consequences (if any) this proposal would have on price regulation

We do not believe there would be any consequences on price regulation from the implementation of either Proposal.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

We agree that both Proposals will deliver the following benefits:

- Recognises the principle of User Pays within the UNC
- Removes the possibility for duplication of charges by removing Must Reads from the UNC
- Targets costs more appropriately by only charging Users for the services that they have utilised

We disagree with the additional advantages identified within the Alternative Proposal 0188A. The additional points are based around the unnecessary governance arrangements that would be introduced by implementation 0188A. The proposed arrangements that the original Proposal 0188 seeks to introduce are entirely consistent with the obligations set out in the proposed Licence Condition (SSC A15). These governance arrangements are well established within the industry and, in our opinion, are appropriate and justified for User Pays arrangements and the ACS.

If you have any questions relating to this Representation please do not hesitate to contact me.

Yours sincerely

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