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**Re: Modification Proposal 0188 / 188A: 'Introduction into the UNC of the Agency Charging Statement ("User Pays")**

Dear Julian,

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

National Grid Gas plc (Distribution), ("NGD"), as proposer, fully supports the implementation of proposal 188. We do not support the implementation of proposal 188A.

The principle purpose of proposal 188 is that it would allow certain UNC activities to be charged for through the Agency Charging Statement ("ACS"), a document that transporters are required to publish in order to fulfill their obligations set out in the proposed amendment to Standard Special Condition A15. We also believe that the differentiation between "code" and "non-code" services is a necessary consequence of the user pays development process and that parallel revenue provisions are appropriate, given the pre-existing UNC coverage of these activities. To compliment the delivery of non-code services, we believe the new contracting arrangements being developed by xoserve fulfils part of the intent of the user pays concept, which is to permit certain xoserve activities and services to be developed and contracted directly between shippers and xoserve.

It is our view that implementation of proposal 188 is a necessary, incremental step to the introduction of user pays; a concept derived and developed along-side the recent Gas Distribution Price Control Review. As part of the review, it is proposed that SSC15 is modified to place an obligation on transporters to introduce of user pays arrangements. On the assumption that transporters' licences will be duly modified, implementation would permit the efficient discharge of new obligations contained in SSCA15, thereby facilitating SSCA11(c).

In terms of whether or not the ACS should be a UNC Ancillary Document; it is our view that licence governed documents, such as all transportation statements and documents such as the "Incremental Entry Capacity Release Methodology Statement" should not fall under UNC governance. The proposed licence drafting requires the ACS to be modified only where Ofgem do not veto the change. We believe governance under the licence is appropriate, given that the content of the document derives revenue, revenue that has been excluded from transporters' price controls and is permitted to earn as excluded revenue. Consequently, in terms of price setting, and pricing methodology, transporters should be accountable to Ofgem through licensing arrangements, not to shippers through the UNC.

Hence, NGD only support the implementation of its proposal.

Yours sincerely  
Phil Lawton  
Network Code Manager