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Modification Panel Secretary
Joint Office of Gas Transporters
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31 Homer Road
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30 October 2008

Dear John,

Modification Proposals: 0194 Framework for correct apportionment of NDM error and 0194A Framework for correct apportionment of LSP unidentified gas.

Thank you for providing Scotia Gas Networks with the opportunity to respond to Modification Proposals 0194 / 194a. SGN provide the following comments with regard to the above Modification Proposals.

Over the last few months we have attended Development Work Group meetings and participated in discussions on this topic and have now reviewed both UNC Modification Proposals. We are in full agreement with the principal which lies behind the modifications in that the current arrangements under the Reconciliation By Difference (RbD) process are potentially inequitable.

At present unallocated energy relating to industry issues such as theft, unregistered sites and metering errors are borne by the SSP market. We appreciate that a degree of rebalancing and adjustment is undertaken to correct any inaccuracies when meter readings are procured and applied within the LSP market. However, evidence suggests that a significant volume of energy relating to unallocated energy continues to be applied only to the SSP market. Therefore, we support in principle the proposals in both 194 and 194a in that the LSP market should make a contribution towards the cost of this energy. However, while there seems to be general agreement in the shipping community that the LSP market should make a contribution, there is no agreement as to how this should be done. For this reason SGN does not feel able to support the implementation of either Modification Proposal in their current format.

We have also reviewed the Modification Report based on the extent to which implementation of the proposed Modifications would better facilitate the relevant objectives. SGN consider that as both Modification Proposals are contingent on other UNC Modifications being approved they do not better facilitate any of the relevant objectives on their own. For example, it is our understanding that British Gas Trading intend to incorporate MOD0194 into MOD0228 and as such SGN would consider the benefits of the proposal at that time.

In summary, although we appreciated that the current allocation, solely to the SSP market, is inappropriate, we feel that we cannot support implementation of either modification as they currently stand. However, we would support any further discussion which could lead to an appropriate proposal being raised to amend the UNC.



We hope you find these comments helpful.

Yours sincerely

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