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14<sup>th</sup> April 2008

## **Re: UNC Modification Proposal 0204 “Amendment to the calculation of WCF”**

Dear Julian

Thank you for the opportunity to comment upon this Modification Proposal, I can confirm that we are **supportive** of its implementation.

### ***1. The Modification Proposal***

The principles behind Modification Proposal 0204 were discussed during Review Group 0176 alongside the Demand Estimation Sub-Committee (DESC) meetings. The Review Group members agreed that this proposed approach to Weather Correction Factor (WCF) should give more accurate allocations. It would also remove the link to the Transporter's own Seasonal Normal Demand (SND) forecast that, as the Proposer has indicated, could lead to a biased WCF.

It is our understanding that the Review Group / DESC also agreed upon a way of facilitating the implementation of the proposal for WCF without the need for changes to the UK Link System. Subject to the necessary Modification Proposal process and subsequent approval, it may be possible to implement this in time for October 2008.

The second part of the Proposal deals with the calculation of the Daily Adjustment Factor (DAF) which also currently uses SND. The proposal to remove the SND element from this process was also supported by the Review Group / DESC which we are also entirely supportive of. Unfortunately the DAF is calculated as part of the NDM proposals ahead of the Gas Year and forms part of the annual consultation process, therefore implementation would not be possible for October 2008.

The Proposer has supplied suggested legal text within the Proposal, unfortunately, this has introduced slight inconsistencies, for example, the legal text does not currently cover the proposed changes to the calculation of DAF. The legal text (2.5.2) also introduces timescales for updating xoserve systems as a result of the quarterly evaluation, this is not detailed in Section 1 of the Proposal and would require further analysis and discussion before a reasonable period could be established. As the Proposer is not required to produce the final legal text, and as it is only

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suggested, we have based this Representation on the changes described in Section 1 only (i.e. both WCF and DAF and without the additional detail contained in legal text).

We agree with the Proposer that implementation will help to ensure that energy is allocated more accurately on original commodity invoices and will minimise the movement of energy between market sectors through the reconciliation process. Therefore implementation of this Proposal may better facilitate relevant objective A11.1 (d) securing effective competition between relevant Shippers/Suppliers.

Implementation timescales for the entire Proposal are subject to the constraints associated with the calculation of DAF; however, we would be supportive of a phased implementation with the WCF element of the Proposal being implemented in October 2008 and the DAF element in October 2009. I am not aware that the Modification process precludes such an implementation approach even though it has not been specifically identified within the Proposal. The alternative options are to delay implementation of both elements of the Proposal until October 2009, or raise a variation to the Proposal and introduce the phased approach. We do not believe delaying implementation of the entire Proposal offers any advantages over a phased approach and, if a variation was necessary, we would not consider it as a material change.

In summary we are supportive of this Modification Proposal although we do believe that inconsistencies within the suggested legal text do need to be addressed. If you have any questions relating to this Representation please do not hesitate to contact me.

Yours sincerely

Simon Trivella  
Commercial Analyst  
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