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Modification Panel Secretary  
Joint Office of Gas Transporters  
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Dear John

**Re: Modification Proposal: 0209 Rolling AQ**

Thank you for providing Scotia Gas Networks with the opportunity to comment on the above Modification Proposal. SGN provides qualified support for implementation of this Modification Proposal.

Annual Quantity (AQ) information is used for capacity planning, energy balancing, charging and reconciliation purposes, it is widely recognised that the accuracy of this data is paramount, however, the AQ data provided under the current process can be up to approximately 18 months old by the time it is used and could be considered out of date. Implementation of this modification proposal would enable AQs to be updated on a monthly basis essentially providing a basis to improve this key information as long as sufficient and regular reads were provided by Shipper Users. SGN consider this to be potentially a pragmatic solution to improve data and therefore support the principals of this proposal.

Furthermore, we understand the current AQ process requires manual intervention on 4.5million reviews per year, 40-50 staff look at the amendments window each summer. Implementation of this proposal would enable this workload to be smeared across the year. It will have the same impact on Shippers, although on a smaller scale. The proposed systemised approach may reduce the number of appeals however this is likely to be contingent on the quality and volume of meter reads submitted.

SGN has the following comments to make in respect of specific sections of the Draft Modification Report:

**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;**



SGN consider implementation of this proposal may further this relevant objective as more accurate Annual Quantities may improve the operation of the pipe-line system in an efficient and economic manner although the extent to which they benefit the planning process is still not clear.

**Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (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;**

SGN agree with the proposer that implementation of this proposal would ensure energy is allocated more accurately on the original commodity invoice and minimise movement of energy between market sectors through reconciliation. We also agree that this would be expected to minimise risk for RbD Shippers and reduce costs. We are not entirely confident that implementation of this proposal would increase revenue certainty for Transporters.

#### **4 The implications for Transporters and each Transporter of implementing the Modification Proposal**

##### **b) Development and capital cost and operating cost implications:**

If this proposal was given direction for implementation by the authority SGN believe it should be considered to be implemented as part as part of project Nexus as anything prior to project Nexus would necessitate systems changing twice. Therefore SGN consider this modification should be introduced as part of project Nexus to minimise costs to the industry. SGN believe the timescales are expected to be in line with UKLink replacement. xoserve ROM costs estimate the change to be in the region of £990k - £1,910k based on amending the current system. We would expect the Nexus cost to not be greater than this, as work will be taking place on the AQ system already. Running costs are expected to be £240k - £410k per annum. As Project Nexus has been funded through the GDPCR on a like for like basis any incremental expenditure associated with developing systems and process and on going support will be required to be funded on a User Pays basis.

##### **c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

It is expected that this would form part of the User Pays' charging structures if it were implemented prior to Project Nexus, SGN consider it to be practical for implementation to take place as part of Project Nexus however disagree with the suggestion made by the development work group that the costs of developing this proposal as part of Project Nexus should be recovered through the next GDPCR (2013). Initial discussions were such that Project Nexus would be funded for like-for-like purposes only. SGN consider the introduction of this modification proposal does not therefore fulfil this criterion and propose the recovery of costs to be discussed further. Furthermore the next GBPCR has not yet been set therefore consider it be inappropriate to consider this option prior to 2013.

#### **5 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

The implementation timetable would reflect system and process development timescales. It is recommended that implementation for LSPs takes place no more than twelve months prior to implementation for SSPs. In the event of direction to implement, it is recommended that the UNC Committee set up a forum of Users and Transporters to discuss implementation aspects.

We hope you find these comments helpful.



Yours sincerely

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