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Modification Panel Secretary
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Dear John

Modification Proposal: 0228 / 228A Correct Apportionment of NDM Error-Energy.

Thank you for providing Scotia Gas Networks with the opportunity to respond to Modification Proposals 0228 / 0228A. SGN provide the following comments with regard to the above Modification Proposals.

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. Over the last few months we have attended Distribution Workstream meetings and participated in industry discussions to try and establish a method of apportionment of NDM error in an equitable manner.

The principles of both Modification Proposals are very similar in that they both aim to provide a quantifiable solution to the apportionment problem. They both aim to introduce a pragmatic approach to the re-apportionment of RbD, SGN support in principle the proposals set out in both Modifications 0228 and 0228A in that the LSP market should make a contribution towards the cost of this Unallocated 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.

The proposals have suggested an apportionment to the LSP market by either 'percentage' (Mod 228) or a 'fixed allocation of kWh' (Mod 228A) of RbD Energy. Although SGN accept the principles of the methodology used in both proposals we are unclear how the volumes have been derived for Modification proposal 0228A. SGN further consider that in Modification Proposal 228, the lack of firm numbers for the reconciling items mean that the proposed level of transfer to LSP to be difficult to calculate and therefore question whether it can be justifiable. For these reasons SGN believe that further work is required to clarify how the values are calculated which will ensure transparency and improve the understanding of the allocation process to all participants.



We have also reviewed the Modification Report based on the extent to which implementation of the proposed modification would better facilitate the relevant Objectives:

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

SGN agree that implementation of either proposal, in principle, would help promote competition as it would introduce a framework for allocating RbD Energy costs which would lead to a more equitable sharing of costs between the SSP and the LSP markets. However the basis of the apportionment needs to be transparent and verifiable.

In summary, SGN appreciate that the current allocation process is inappropriate and we support the modification proposals in principle. SGN would welcome further work in order to increase the understanding how the allocation values have been calculated. We believe this to be a pragmatic way forward and 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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