



Tim Davis
Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

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Dear Tim

Regarding UNC Modification Proposal: UNC 0229 “Mechanism for apportionment of unidentified gas”.

Thank you for the opportunity to comment on the above proposals which seek to build upon the proposal raised by Corona Energy (CE) in modification 194a. As an Industrial and Commercial (I&C) specialist shipper and supplier CE has an interest in ensuring a fair and level playing field remains in the I&C market and that industry processes allow all parties, large and small to compete. For the avoidance of doubt Corona Energy (CE) supports modification 229.

CE has previously expressed its significant concern over proposals 194, 228 and 228a which were raised by British Gas and Scottish Power. It has stated its belief that all three proposals would result in a significant reduction in the level and nature of competition in the SME and medium sized I&C market. CE would like to take the opportunity to remind Ofgem that it remains steadfast in its opposition to these proposals.

Since the end of the 194 review group British Gas has presented no new evidence to the industry to support its stated belief that the I&C community should be contributing around £75m in recognition of levels of unidentified gas. Instead modifications 228 and 228a relied on highly subjective analysis, underpinned by questionable assumptions.

Given the contentious nature of any final value the allocation process must provide a transparent, proportionate and accurate outcome. This would provide all parties with confidence that results are a product of robust and independent analysis.



It is apparent that the only way to progress this issue in a fair and transparent manner is for an independent party to manage the allocation process. This would allow all parties to have confidence that the contribution made by the I&C community is as unbiased and accurate as possible. It would also reduce the risk of a user appealing a decision to implement a level of contribution either with the Competition Commission or through judicial review.

CE believes it is highly important that the expert is recognised as independent and does not have any conflict of interest. Shell Gas Direct has included in their proposal Guidelines for Appointment of the independent expert which sets out the standards and qualification such an expert would be required to possess.

Shell Gas Direct has also provided a suggested Charging Methodology. Both the Guidelines for Appointment and the Charging Methodology were developed within the Distribution Workstream where they were discussed in length. CE notes that it was unanimously agreed as part of the Workstream Report that they and the modification proposal were fit for purpose.

CE recognises that Gas Transporters commented during discussions that they did not wish to contract with the third party for the provision of this service. As shippers had offered to pay for this service on a User Pays basis it was disappointing that the Gas Transporters chose to respond negatively to this proposal. CE would have expected a far more customer focused response from a competitive service provider.

National Grid Distribution has stated that they would expect Gas transporters to be fully indemnified under these arrangements. Given the nature of these contracts CE believes an indemnity is not unreasonable and observes that Shell Gas Direct had already included provision for this in its proposal.

The Gas Transporters already operate many other such arrangements where they contract with an independent party¹. Indeed the process for the appointment of the independent expert was based on a pre-existing process and was confirmed as legally sound by National Grid's lawyer at the Distribution Workstream².

Conclusion

It would appear that this proposal would avoid the significant problems associated with imposing a final value proposed by another financially interested shipper. It would provide a fair unbiased and transparent process. CE therefore supports the implementation of UNC modification 229.

¹ Includes the RbD Audit and Meter Error Notification Process

² Shippers also confirmed their lawyers believed the proposal was legally sound.



I trust these comments are helpful. If you have any queries regarding this response please contact Richard Street on 0208 632 8169.

Yours,

Richard Street*
Regulatory Affairs Manager
Corona Energy

*please note as this letter has been delivered electronically a signature will not be attached