

John Bradley  
UNC Modifications Secretary  
51 Homer Road  
Solihull  
B91 3LT

15 June 2009

Dear John,

**Response to UNC Modification Proposal 0229 “Mechanism for correct apportionment of unidentified gas”**

Thank you for the opportunity to respond to the above modification proposals. GDF Suez Energy UK supports the implementation of this proposal.

**General Points**

Modification proposal UNC 0229 seeks to address the controversial issue of cost apportionment resulting from unidentified gas by appointing an independent expert to examine the contributing factors and make an informed assessment as to a fair apportionment of resulting costs to the relevant market sector.

It seems critical that there should be a UNC obligation to appoint the AUGGE on a Code party and UNC 0229 does this by obligating Transporters to undertake this duty. The only alternative to this approach would be to oblige Shippers. Given the materiality across sectors this would certainly be difficult and time-consuming to reach agreement and it seems the most pragmatic solution is to oblige Transporters, who are indifferent to the effects, to appoint the expert as proposed under UNC 0229.

On the whole this is a fairly light obligation with respect to Transporters around the initial appointment process and on an ongoing basis the process should be self-perpetuating. Shippers face a stronger obligation under this proposal in that they are obliged to adhere to the recommendations of the appointed expert.

**Relevant Objectives**

UNC 0229 deals only with apportioning costs between SSP and LSP shippers and as such the only relevant objective to address under this proposal is A11.1 d “securing effective competition between relevant shippers and suppliers”.

Relative to the status quo UNC 0229 provides for better targeting of costs which are currently borne wholly by the RbD sector. Workgroup discussions and analysis has highlighted that some costs should be shared with the NDM LSP sector.

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Relative to alternative proposals (0228, 0228A) UNC 0229 provides for an independent and transparent assessment of the costs associated with unidentified gas and removes the inherent bias of these proposals.

### **Additional Comments**

As we have previously stated in our response to associated proposals (UNC 0228, 0228A) GDF Suez Energy UK considers that the whole suite of proposals relating to unidentified gas should be considered by Ofgem on their relative merits before any implementation decision is made in this area. Also, given the magnitude of costs under consideration it is essential that a Regulatory Impact Assessment is undertaken to assimilate the relative effects of each change proposal.

Given the potential detrimental impact on market concentration that may result from implementing an inadequately substantiated proposal it is crucial that careful consideration is given to the range of proposals the industry has put forward, including UNC 0229. Further, it is also important to recognise that any decision by the Authority should not be transitional in nature with a view to implement more accurate changes at a later date. A decision to implement an interim solution such as UNC 0228 or UNC 0228A could, even in the short term, have the same detrimental effects on competition as stated earlier.

I trust this information is helpful and if you have any questions or would like to discuss further, please do not hesitate to contact me on 0113 306 2104 or mobile 07733 322460.

Yours Sincerely,

A handwritten signature in blue ink that reads "P. Broom". The letters are cursive and slightly slanted.

**Phil Broom**  
**Regulatory Affairs Manager**  
**GDF Suez Energy UK**