

**Modification Proposal 244: Amending DM Supply Point Data for Sites with Significant Changes in Usage [Support]**

**Modification Proposal 244a: Introduction of an Exception Process for Decreases in Supply Point Capacity at DM Supply Points [Support with Minor Qualification]**

**Modification Proposal 244b: Amending DM Supply Point Data for Sites with Significant Changes in Usage [Against]**

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- We are grateful for the opportunity to respond to this proposal. For context, Corus is the second largest steel producer in Europe. Our UK steelmaking and manufacturing processes are major users of natural gas across a portfolio of DM and NDM sites.

You will appreciate that Corus is currently facing an unprecedented fall in demand for our steel and has been obliged to cut production accordingly. Corus is therefore carrying significant costs for gas transportation capacity that we have no need for in the current economic climate. In some cases these capacity requirements have ceased permanently as a consequence of business restructuring. Unfortunately, with our *'de facto'* suppliers of gas transport, ie. GDN's, we have no means of managing these costs within sensible timescales to bring them into line with our legitimate requirements.

- We understand DM sites are only able to review capacity reservations at certain points in the year and to a minimum of the prevailing BSSOQ. We understand furthermore that these rules were introduced to prevent users from artificially profiling their gas capacity reservations. Owing to regulatory reforms in 2008 relating to interruption and a 95:5 capacity:commodity charging structure, end-users are also unable to reduce costs to the same degree via a commodity based charge or by offering interruptibility. With hindsight, we believe the reforms introduced in 2008 should have been coupled with additional mechanisms to allow end-users to manage their fixed costs.

We also note the inconsistency in respect of processes which are available to NDM but not to DM sites. NDM sites are able to adopt a BTU process (albeit not a well-publicised mechanism) to make changes to their capacity reservations. We also observe that the GDN's are still able to adopt the 'K mechanism' for socialising their unrecovered, but still allowable, revenue. DM users have no similar means of managing their costs in the short term, and in some cases not until October 2010 owing to the time lag on setting the BSSOQ. For these reasons, it is fair that DM users should be afforded a new mechanism to manage these unnecessary costs.

- Corus understands the need for the GDN's to be able to operate their networks on the basis of sound planning information. We believe the enhanced capacity review mechanism provided by the current proposal will provide additional information to the GDN's to facilitate efficient management of their gas network, particularly during this uncertain economic period.

Additionally, the 'retrospective payment' mechanism included in proposal 244 will guard against 'capacity profiling' previously guarded against by the limited 'capacity review window'. Therefore, the additional stipulation in proposals 244a/b, that consumers should be required to provide evidence to support reduction to the SO, should be unnecessary.

- Corus are concerned that GDN's have debated this issue for almost 3 months. Alternative modification proposal 244b refers to implementation in October 2009. Such timescales are of little value to end-users who are seeking to manage their current costs when it is most needed.

We are aware of concerns from GDN's relating to the administrative burden related to this proposal. We cannot comment on the validity of such 'system issues', but would observe that no such impediment will exist for Unique Sites whose capacity reservations are administered manually by XOServe.

We would further point to the level of administrative, management and personal commitment required from end-users in relation to DN Interruption reform in 2008. We would expect a parallel degree of goodwill from the GDN's to accommodate reasonable requests from industrial users who find themselves carrying significant stranded costs owing to an unfortunate combination of regulatory reform and an unprecedented economic climate.

- In summary, we are pleased the current modifications (244 and 244a) take note of these circumstances and we are in full support of their intent and detail. Corus are in equal support of mod 244 / 244a (subject to a minor qualification on 244a detailed above). Owing to the economic circumstances faced by many, implementation on an accelerated timescale is now essential.

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