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29 June 2009

**Modification Proposal 0254
'Facilitating the use of forecast data in the UNC Version 2.0'**

Dear John,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

We agree with the proposer that this proposal clarifies the use of forecast data originally enabled by Modification Proposal 0218 in the UNC and therefore National Grid Transmission supports this Modification Proposal.

Please find below our views on how the proposal may better the UNC relevant objectives.

3) Extent to which implementation of this Modification proposal would better facilitate the achievement (for the purposes of each Transporters Licence) of the Relevant Objectives:

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

National Grid NTS believes that implementation of this Proposal will not better facilitate this objective. National Grid NTS disagrees that Aqs form the building block of system security activities. Long term demand forecasting for system planning is carried out on the basis of assessments of connected load¹ which are determined by weather correction of actual demand (not based on supply point Aqs held on the system). Therefore, improving the accuracy of NDM supply point Aqs cannot be expected to have a direct impact on the efficiency of physical pipeline operations.

¹ Further details of National Grid's long term gas demand forecasting methodology including explanations of key terms such as connected load may be found at:
<http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationaldocuments/Gas+Demand+and+Supply+Forecasting+Methodology/>

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

We agree that implementation of this proposal may lead to more accurate allocations of demand and may provide the opportunity to improve cost reflectivity of charging if the accuracy of NDM AQs held on industry systems is improved and therefore this proposal may under those circumstances better facilitate Standard Licence Condition A5.5.

However, a seasonal normal basis that is more reflective of climate trends will not in itself deliver more accurate NDM supply point AQs. For example if meter reads do not come through to enable AQ to be revised, a new seasonal normal basis alone will be of no effect. A significant proportion of all NDM meter point AQs are not revised in the annual review and this is arguably a greater influencing factor. Also, errors in the meter reads themselves may have a greater impact than a choice between a forecast or a historically based seasonal normal basis.

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;

We agree that this proposal adds clarity to the UNC and removes redundant clauses, and therefore by clarifying and removing potential ambiguity in the UNC this will assist both new and existing parties to the UNC and betters this objective.

Standard Special Condition A11.1 (f) so far as is consistent with sub-paragraphs (a) to (e), the proportion of efficiency in the implementation and administration of the network code and/or the uniform network code;

We agree that by adding clarity with the amended text in H1.5.2 this can be seen as facilitating efficiency in the implementation of the UNC.

4 b) Development and capital cost operating cost implications

We note that the proposer believes it is unlikely that Transporters will be exposed to any costs, however if this did become the case then we believe any additional costs should be met by all parties who have a licence obligation to provide SNCWV.

We observe that new paragraph H1.5 is being added so that Transporters are required to review the Seasonal Normal Value every 5 years, or more frequently on the basis of unusual new weather. Whilst we support this we believe the draft legal text does not include the October 2010 review. We believe the common intent to be that these

revised arrangements should apply to the review that will be implemented on 1st October 2010 as well as future 5 yearly (or exceptionally more frequent) reviews. As this is suggested legal text we would expect this would be addressed in the production of the final legal text

In summary National Grid NTS support modification proposal 0254. Please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Beverley Viney