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By email: enquiries@gasgovernance.com

Dear Tim

Re: Total Gas & Power (Total) response to Modification proposals 0317 and 0317a

Total welcomes the opportunity to respond to the two modification proposals 0317 and its alternative 0317(a).

Total supports 0317 but does not support 0317(a).

0317 is a recognition that in the event of a delay in Modification 0229 being implemented and the AUGE concluding a value prior to April 2011, something should be done to address the over allocation of gas into the SSP sector. The sum proposed under the modification has been calculated by an independent party and in the absence of any alternative detailed third party analysis we believe this to be the most accurate assessment of the value available. We therefore believe that allocation on the basis of this sum is the fairest way to proceed for the 12 months to April 2012 in the event that the AUGE does not deliver by April 2011.

Modification 0317(a) seeks to retrospectively amend the values apportioned to suppliers under the 0317 proposals. This suggestion completely goes against a key principle of all the industry discussions to date which is that suppliers must have certainty of the charges they face in advance in order for such costs to be built into pricing models and/or budgets. In addition, today, an increasing number of I&C consumers have contracts which require full and transparent pass through of all charges from the transporter. The suggestion of modification 0317(a) that charges should be adjusted retrospectively means a great deal of economic uncertainty for both the supplier community and I&C consumers. This is not a desirable scenario and would tarnish the industry as a whole.

It is clear that I&C suppliers have never historically factored unallocated gas into their pricing whilst, as a matter of course, domestic 'tariffs' have been inclusive of such risks. It is also reasonably clear that operating within a tariff based regime typically allows domestic suppliers to adjust tariffs to 'make good' historical under-recoveries as required without overly distorting their competitive positions relative to others. The contract based regime of I&C suppliers often offers no such economic remedy.

Ultimately we believe the matter of unallocated gas needs to be dealt with at the transportation pricing level in the same way as transmission and distribution losses. This

reflects our view that achieving an accurate apportionment of the losses will always be problematical and therefore perhaps the fairest approach will be through universal smearing. We also note that in the 'Smart Metering' proposals for the domestic sector there is some discussion of full reconciliation down to domestic site level. This could add additional complexity to the issue but is also perhaps a good opportunity to establish a fair way forward.

In summary, Total agrees that 'unallocated gas' is a problem that needs to be addressed. However, the industry needs to be cautious in implementing solutions and should seek not to move too quickly towards an extreme solution if doing so will cause inconvenience and economic hardship to any particular group of customers. We therefore support Modification 0317 but disagree with 0317(a).

Yours sincerely

Richard Dutton
Head of Pricing and Economics