

Dear Helen,

Re: UNC0328 - Proposal to amend Annex A of the CSEP NExA by replacing the current version of the AQ Table

As an interested party to the above modification, Independent Pipelines Limited now referred to as "IPL" would like to take the opportunity to provide the following comments. For ease of use, we have replicated parts of the modification content in bold and provided our comments underneath.

Revised SND data will be applied to all AQ values effective from 1/10/2010.

IPL seeks to operate in stable market conditions. This proposal appears to retrospectively change values which are already being used as part of a standard industry process and have been derived within the framework of clearly defined implementation timescales.

IPL does not view this proposed method as an acceptable implementation technique and would strongly urge parties to avoid using retrospective implementation dates (which have an economic and systems impact) so that these can be taken into account in financial and business planning. Amending NExA values retrospectively has a profound knock on effect on adoption values IPL offers to the market place and consequently upsets the stability that is essential for making investment in new build sites.

The current AQ review procedures and dates are set out in part 7 of the IGT UNC AQ Procedures Document. IPL and all other affected parties carry out a significant amount of work for the AQ review and this process starts as early as May each year. IPL has made extensive efforts in recent years to automate as much of the process as possible. The proposal requests that *"The CSEP NExA should be amended as soon as possible following the direction from the Authority to implement this Modification"* but this will result in large scale system changes for IPL and as per the standard timescales for systems changes, IPL would require at least 6 months for systems development and to allow for the new values to become effective in its quotation system.

The revised AQ Table to be inserted within the CSEP NExA is as Undernoted.

To date there has been limited visibility as to how the updated NExA values have been derived and the values have been calculated by a single party without reference to any of the others. If we understand the methodology correctly a correction factor has been derived for all property types and then applied universally to all categories. We would like to see evidence to back up any claim that weather correction of data can be applied in this way e.g. why should consumption for a large 6 bed detached property be affected by the same proportion as a 1 bedroom flat.

The revised values will ultimately affect IPL's transportation charges and it is therefore essential that these proposals have accompanying calculations and justification so that they can be reviewed by **all** parties affected and any comments or questions raised and answered **before** their implementation.

The last review of the of the AQ table was undertaken following the IGT AQ review 2004/05 and the required changes to the AQ table were implemented through Ofgem approval of Modification 75.

The amendment to the NExA table referred to above was carried out without a full review by all parties and the result was that IGTs and key parts of Ofgem were unaware that the changes had been approved. This caused considerable confusion and embarrassment to all parties concerned and the new Table wasn't implemented on the approved date because IGTs were unaware of the change. IPL is disappointed that the current proposal has been put forwards without development and review by all affected industry parties and is likely to lead to confusion with the retrospective nature of the proposal. IPL notes that a parallel modification, IGT031 has also been raised under the IGT UNC and is currently being revised for resubmission at the September IGT UNC Panel. There is a risk that conflicting dual governance could occur should the IGT UNC and UNC proposals progress at different paces. IPL suggests that both panels monitor the progress of each modification to avoid the dual governance issue. Further to this, IGT030 "Review of CSEP NExA AQ Table values" has been raised by Scottish Power which seeks to "*undertake the development of AQ values contained with the current CSEP NExA Table*".....by agreeing..... "*the process for review of the CSEP NExA AQ Table*". IPL would strongly recommend that any changes to the NExA table are solely discussed under this development work group and once a process has been agreed and changes made to the IGT UNC and UNC (where applicable), modifications raised to implement NExA changes.

In summary, due to the expected financial impact of changing the NExA table, the lack of any detailed justification or explanation of the methodology for adopting a high level change, the making of a retrospective change, and likely difficulties in implementation IPL believes that any proposal to change the

NExA Table values should not be taken lightly and should be subject to a full and detailed review. IPL is strongly of the view that any consequential changes to the NExA table should be implemented as part of the 2011 or 2012 AQ review to allow parties to fully understand and prepare for the changes and not as outlined in this proposal.

Yours Sincerely

Gethyn Howard

Gethyn Howard
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