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2 August 2012
Your Reference: UNC Modification Proposal 0391.

Re: UNC Modification Proposal
0391: Distributed Gas Charging Arrangements

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which National Grid Gas Distribution (NGD) would like to support.

Do you support or oppose implementation?

Support.

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

New sources of gas have recently been directly connected to the gas distribution system and, with appropriate commercial arrangements, growth in the number of such gas connections is expected over the coming years. NGD considers that this Modification will create an improved distribution transportation charging methodology which results in more cost reflective charges, takes into account the likely greater development of Distributed Gas in the coming years and could, by better facilitating the development of Distributed Gas, better facilitate effective competition between gas shippers.

Are there any new or additional issues that you believe should be recorded in the Modification Report

No

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?
Not applicable.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

NGD considers that implementation would positively impact the following relevant objectives:

(a) Cost Reflectivity

The Modification will enable the different usage of the distribution network by gas entering from Distributed Gas entry points, and the associated costs, to be reflected in the level of transportation charges. In addition, the modification will ensure that specific operating costs associated with supporting a particular Distributed Gas entry point are reflected in the charges levied upon Shippers entering gas at that point, and so will be more cost reflective than if no such provision was introduced.

(b) Takes account of developments in the transportation business

New sources of gas have recently been directly connected to the gas distribution system and, with appropriate commercial arrangements, growth in the number of such gas connections is expected over the coming years. The Modification enables the charging methodology to take account of the particular characteristics of such gas entry.

(c) Facilitates effective competition between gas shippers and gas suppliers

A charging methodology that better reflects the cost impacts of Distributed Gas helps to ensure that costs are appropriately allocated within the GB gas market. Ensuring costs are appropriately targeted supports the development of effective competition. In addition, the Modification provides confidence to potential entrants about the charging regime that will be faced by Distributed Gas, and this certainty and appropriate allocation of costs may facilitate the development of such gas sources. This could in turn better facilitate effective competition between gas shippers since additional sources of gas will be available to the market.

Impacts and Costs:

NGD considers that the Modification is likely to have a beneficial impact on the development of Distributed Gas schemes and in particular on the development and usage of biomethane, supporting Government targets in this respect.

The expected implementation cost for a systematised invoicing arrangement for the new charge type is estimated to be less than £1.5m with the costs of implementation being targeted at Distribution Networks. Additional operating costs are not expected to be material. Alternative invoicing options may be available while there are few Distributed Gas entry points. The invoicing requirements are expected to be included in the baseline arrangements for a UK Link replacement.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We have nothing to add to the information identified within the Draft Modification Report.

Legal Text:

NGD is satisfied that the text as published by the Joint Office within the Draft Modification Report meets the requirements of the Modification Proposal.

Is there anything further you wish to be taken into account?

No.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 655834 (steve.armstrong@nationalgrid.com) should you require any further information.

Yours sincerely,

Steve Armstrong
Pricing and Margin Manager, Distribution