

Bob Fletcher
 Joint Office of Gas Transporters
 31 Homer Road
 Solihull
 B91 3LT

3 August 2012

Dear Bob,

Re: UNC Modification Proposal 0391 – Distributed Gas Charging Arrangements

Thank you for the opportunity to provide representation of the above noted Modification Proposal. Northern Gas Networks (NGN) is supportive of this Modification Proposal. Please find below NGNs comments in respect of the Modification Proposal.

NGN are supportive of this Modification.

Summary of key reasons:

This Modification seeks to implement arrangements for charging where gas enters a Distribution Network (DN) directly without using the NTS. DNs are currently receiving enquiries from developers to facilitate such entry points for new gas sources such as bio-methane. NGN supports this Modification as we believe it will implement a new charging methodology that is cost reflective and promotes competition while ensuring that there are no significant barriers to entry to new participants as a result of the charging methodology.

Additional or new issues:

No new issues

Relevant Objectives:

NGN considers that this Modification facilitates the relevant objectives as indicated by the proposer. Specifically, NGN considers:

Condition	Description	NGN view
A5.5(a)	Compliance with the charging methodology results in cost reflective charges	This Modification considers the different use of system that embedded LDZ entry has to that of the traditional NTS entry points for delivering gas to consumers. NGN considers that the proposed solution is cost reflective and efficient in achieving a suitable charging methodology.
A5.5(aa)	Insofar as arrangements are established by auction: <ul style="list-style-type: none"> (i) No reserve price is applied, or (ii) That the reserve is set at a level – <ul style="list-style-type: none"> I. Best calculated to promote efficiency and avoid undue preference 	N/A

	II. Best calculated to promote competition	
A5.5(b)	Takes account of developments in the transportation business	The introduction of new gas sources has led to the requirement to consider appropriate charging arrangements. This Modification fulfils this role in ensuring that developments within the industry are properly addressed in a timely manner.
A5.5(c)	Facilitates effective competition between gas shippers and suppliers	The use of an LDZ entry commodity charge will encourage shippers to become active participants at distributed gas entry facilities.
A5.5(d)	Reflects alternative arrangements put in place in accordance with a determination made by the Secretary of State	N/A
A5.5(e)	Compliance with legally binding decisions of the European Commission and/or the Agency for Co-operation of Energy Regulators	N/A

Impacts and costs:

The expected implementation cost for invoicing a 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. There may be some options available for the building of a full solution which are being explored to ensure that an efficient means of achieving this solution is available while there are few distributed entry points. The requirements are expected to be included in the baseline arrangements for a UK Link replacement.

Implementation:

NGN believes that a full system solution would take at least a year to develop and implement, including the required UK Link notifications to the community of new charge types.

Legal text:

No comments

Any further information:

None

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
 Network Code Manager