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Dear Bob,

RE UNC Modification Proposal 0391 – Distributed Gas Charging Arrangements.

Thank you for providing Scotland Gas Networks and Southern Gas Networks with the opportunity to respond to the consultation relating to this UNC Modification Proposal. At this stage SGN would wish to offer support for the Modification Proposal's implementation.

Reasons for Supporting the Modification Proposal:

SGN have been at the forefront of the bio-gas process for a number of years and have promoted and been instrumental in the success of a number of specific bio-gas projects in the UK. SGN recognise that UNC Modification 0391 seeks to introduce a charging methodology into the UNC which is cost reflective of where industry parties enter gas directly into the Distribution Networks, especially where the utilisation of bio-gas technology is involved in specific projects. SGN agrees with the proposer of the Modification Proposal that it is important to recognise that the charging regime for these entry points requires to be cost reflective and that there is a need to reflect the avoided costs of NTS Exit Capacity and also the use of specific pressure tiers of the Distribution Network. SGN consider the new elements UNC Modification 0391 would introduce would sufficiently reflect the avoided costs associated with these two elements of the commercial regime. SGN also consider that the proposal allows for DN operation costs associated with a DN entry point to be included within the charging model.

With the expected increase in bio-gas projects entering gas into the distribution networks over the next ten years SGN consider the elements the Modification Proposal would introduce are of vital importance to ensure that the commercial regime remains cost reflective for these gas entry points and also that the regime promotes competition between gas Shippers in this area.

Relevant Objectives:

SGN consider the implementation of the Modification proposal would better facilitate the following relevant objectives:

- (a) Cost reflectivity:- SGN consider that the implementation of this UNC Modification proposal would adequately reflect the costs associated with entering gas at the Distribution Network level and also the associated operating costs the DN may incur as a result of these additional entry points.
- (b) Takes account of developments in the transportation business:- The expected rise in the number of DN entry points over the next ten years is expected to result in large number of these entry points and therefore it is of paramount importance that the UNC commercial regime has adequate provisions in place to ensure that costs are reflected accurately and competition between shippers is promoted in this area.
- (c) Facilitates effective competition between gas shippers and gas suppliers:- As we have previously mentioned SGN believe that an effective DN entry commercial regime is required which accurately reflects costs in this area and as such is required to ensure effective commercial competition between shippers is facilitated.

Impacts and costs:-

Xoserve have provided an initial costs estimate for the associated systems' changes to be in the order of £1.5M although this figure was reflective of a fully systematised solution. It is expected that an alternate non-systematised solution may be more appropriate until the growth of DN entry points becomes a material amount. A fully systematised solution may be incorporated within a Project Nexus solution at this latter stage.

Implementation:-

SGN considers that were the Authority to approve the implementation of UNC Modification Proposal 0391, implementation could occur as soon as the Xoserve process / system has been fully developed and gas shippers have provided support for an implementation date through the UK-Link committee process.

Legal Text:-

SGN is satisfied the legal text provided with the Modification proposal is robust.

Is there anything further you wish to be taken into account:-

No further issues have been identified.

We hope these comments are useful and should there be any further questions in relation to SGN's response to this Modification Proposal consultation please contact Joel Martin on 0131 4691813 or joel.martin@sgn.co.uk.

Yours Faithfully.

{by e-mail}

Joel Martin