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Tim Davis
Secretary, Modification Panel
Office of Joint Transporters
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51 Homer Road
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22 February 2008

Dear Tim

Re: Agency Charging Statement Consultation

Thank you for the opportunity to comment on the above consultation.

STUK do not believe that the xoserve Agency Charging Statement (ACS) as it currently stands meets the requirements of the proposed changes to Gas Transporter Licence Standard Special Condition A15 as it does not offer the level of transparency required for shippers and suppliers to assess the cost reflectivity of the charges.

Without further information regarding the forecast usage of the User Pays services it is difficult for shippers and suppliers to validate the proposed prices in particular the charge of £40 per month (£480 year) for IAD.

Currently there are 20,000 IAD accounts (recently reduced from historic levels of 30,000), which if service requests are submitted for all, would generate £9.6m in revenue, way above the £3.3m revenue recovery target, before taking into account the revenue generated by the other User Pays services.

Regardless of the number of IAD accounts expected to remain at implementation, STUK would question the level of costs placed on providing the IAD service. At the xoserve meeting of the 11 February the issue of the cost of the ECOES service in electricity was raised. As a comparable service the cost for ECOES is significantly lower than the proposed charge for IAD with an annual operating and maintenance cost of just £350k. As IAD is a service which is already in existence and for which no known development is planned, it would seem that the £480 per year, per account, charge is excessive even if the number of



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IAD accounts are reduced. Again without further transparency of the numbers behind the charges it is difficult to assess the accuracy and cost reflectivity of the costs and charges.

The publication of the ACS, in late January for an implementation date of 01/04/08 has allowed the industry little time to consider not only the validity of the proposed charges but also its usage of the non-core services and therefore its requirements under the new regime. This could lead to shippers needing to regularly review their service orders, creating increased workloads for both shippers and xoserve and as the costs for the User Pays services are based on usage, create unnecessary instability in prices as they attempt to remain cost reflective.

Whilst STUK welcome the proposed review of the ACS in 6 months time, without an audit or further transparency of the figures this will offer little comfort to the industry, that the charges have been cost reflective and that any review of the prices is justified. STUK also have concern that there is no proposed timetable for further review, on an ongoing basis eg. Annually, to offer assurances that the cost of providing the non-core services remains cost reflective.

With the imminent implementation date of 01/04/2008 there are a number of outstanding issues that are still to be discussed, most importantly the application of User Pays charging methodologies for system changes that result from modification proposals. Without a clear, stable and robust charging methodology in place the development of the UK regime could be stifled as shippers would not be willing to propose any industry change for which the route for determining funding is unclear.

STUK believe that the time remaining before the proposed implementation date of 01/04/2008 is insufficient to address the industries concerns relating to the introduction of a User Pays regime. STUK would support a delay in the implementation of the proposed changes to Gas Transporter Licence Standard Special Condition A15, to allow the industry time to fully develop and consider the impacts of the ACS and supporting methodologies on their business and prevent any unnecessary impacts on their customers.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed.

