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8th June 2007

Re: UNC Modification Proposal 0136 "Reconciliation following AQ Amendment where an SSP becomes an LSP prior to calculation of Provisional Annual Quantity"

Dear Julian

Thank you for the opportunity to comment on the above UNC Modification Proposal.

Ofgem did not direct implementation of Modification Proposal 096 as they felt that the exclusion contained within UNC (section E7.4.3 (c)) and the ability to avoid the revision charge provides an incentive on shippers to proactively monitor, and pursue, threshold crosser appeals. They also stated this should provide administrative efficiencies by encouraging appeals to be made throughout the year. Although we agree with the argument this has to be weighed up against the recent evidence that has been presented that indicates that £10M of misallocation took place between the Small Supply Point and Large Supply Market markets in the 2005/06 Gas Year.

The Proposer has attempted to enhance this Proposal in comparison to Modification Proposal 0096 by limiting the resulting Annual Quantity Revision Difference Transportation Charge to 90% of its true value. We believe that the inclusion of the 90% factor does provide an improved balance between ensuring that Shippers continue to have an incentive to monitor and pursue threshold crosser appeals, whilst ensuring that energy is allocated to the correct market sector.

We do not feel that we can offer support of this modification, at this stage, as the overall impact to both the SSP and LSP markets is speculative and it is unclear on whether the Proposal will deliver the advantages and benefits it has identified.

If you have any questions relating to this Representation please do not hesitate to contact me.

Yours sincerely

Simon Trivella
Commercial Analyst
Wales & West Utilities

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

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*calls will be recorded and may be monitored
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