



Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

10 September 2007

Re: UNC Modification 0167 – Changes to Reconciliation Arrangements Under CSEP NExA

Dear Sir or Madam,

I am writing on behalf of Independent Pipelines Limited and Quadrant Pipelines Limited to express our concerns relating to the above proposed modification, seeking to amend the CSEP NExA, to which IPL and QPL are parties.

We can see no benefit to this exercise on the basis that there is no intended adjustment to Transportation charging and therefore no benefit to Shippers. There will also be no benefit to large Transporters or iGTs. However, the iGT is expected to commit significant time and resources calculating a notional metered volume from the AQ, and submitting the .CRI file where reads have not been provided. Historically we have rarely been provided with the necessary meter reads. Furthermore we would argue that Xoserve are already in possession of the information required to create the .CRI file (LMN start date / end date and AQ). There seems to be no point in undertaking the neutral reconciliation if the only outcome is to overcome Xoserve's current validation difficulties surrounding missing reconciled periods.

Secondly we believe there are fundamental flaws in the process that will prevent the following statement within the modification proposal from becoming a reality:

“For the avoidance of doubt, once adjustments have been carried out, reconciliation should flow naturally from that point onwards.”

While we are happy to comply with the terms of the NExA and submit a reconciliation file within thirty days of receipt of a valid meter reading, there are further obstacles to preventing reconciliation from flowing as is stated will happen. Our understanding of the current process is that reconciliation will fail for the following reason:

1. A new meter is fitted.
2. An LMN is requested from Xoserve.
3. Xoserve take x number of days to create the LMN.
4. The LMN start date will invariably be x number of days after the date of meter-fit.
5. The Shipper submits a meter reading and the iGT is obliged to create a CRI file to reconcile the consumption.
6. The CRI file requires the meter reads and meter read dates – one of which will be the opening read taken on the date the meter was fitted.

7. The CRI file fails Xoserve's validation because the LMN "go-live" date is after the opening read date.

In this case while IPL / QPL will have fulfilled their obligations the supply point will not be reconciled and indeed cannot be reconciled until changes are made to Xoserve's validation processes. Future attempts at reconciliation may also fail where preceded by an un-reconciled period of time.

We believe that the above points must be addressed and resolved to allow reconciliation to happen where meter reads are available and to protect iGTs from significant and inappropriate expense.

Yours sincerely,

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CC: Ofgem