

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

11 January 2011

Dear Bob,

Re: UNC Modification Proposal 0292 – Proposed change to the AQ Review Amendment Tolerance for SSP sites

Thank you for the opportunity to provide representation of the above noted Modification Proposal. Northern Gas Networks (NGN) would like to offer comments on this Modification Proposal.

NGN supports the aspiration of achieving accurate AQs to ensure that costs are appropriately targeted to users. The existing AQ Review process provides an opportunity for sites that have submitted appropriate metering read data throughout the year to have the AQ recalculated each year. The initial calculation of a new AQ can be challenged by means of an AQ Amendment if it can be demonstrated to be materially incorrect, with a current tolerance of 20% upwards or downwards.

This Modification Proposal seeks to reduce the tolerance level from 20% to 5%, citing the proposed new tolerance as being a more appropriate materiality level for SSP sites, particularly when there is an ongoing downward trend in AQs. Such a change, if implemented, is expected to significantly increase the quantity of AQ Amendments being submitted by shippers, however materiality in terms of energy has not been considered during the development of this Modification Proposal. The impact on each individual SSP site is likely to be marginal, and as AQ Amendments should be submitted for both decreases and increases, there will be an element of netting out within any portfolio.

The nature of transportation billing means that if all AQs fell by a similar amount the actual cost for transportation charges for each supply point would remain broadly similar as the allowed revenue to be collected by the Transporters remains the same. While NGN is cognisant of the perceived benefits to shippers that the increased accuracy of AQs that this Modification Proposal will deliver, we believe that this change to the tolerance level will only deliver benefit to shippers who can take immediate advantage of the reduced tolerance if implemented in time for the 2011 AQ Review. In subsequent years it would be anticipated that all parties would have in place amended processes to utilise the reduced tolerance, thereby making the change have no impact. This eventual neutral position will have been achieved only by incurring implementation costs and increasing the workload of all parties to participate fully in the process.

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