

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

Alison Chamberlain
Network Code,
Distribution
Alison.chamberlain@uk.ngrid.com
Direct tel +44 (0)1926 65 3994

www.nationalgrid.com

8th July 2011
Your Reference:UNC Modification Proposal 0330

Re: UNC Modification Proposal 0330:
Delivery of additional Analysis and derivation of Seasonal Normal weather

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal for which National Grid Gas Distribution ("NGD") would like to offer comments.

Do you support or oppose implementation?

Qualified Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

Since the inception of the Code, Transporters have had the responsibility for undertaking work in this area and have proposed the methodologies for use in the gas demand processes. In recent time Users have become more proactive in proposing alternative methodologies and our support is largely as a result of the greater User participation in the process. While we remain to be convinced that this Proposal is the correct way forward, we're prepared to offer limited support given the general support offered by the community indicating that the Proposal is the right way forward.

It is interesting to note that the Proposal seems to be at odds with the intent of Modification Proposal 0331 which seeks to move responsibility for demand estimation more substantially into the hands of shippers, while this Proposal retains the obligation for Transporters to procure a "Weather Station Substitution Methodology" and a "Climate Change Methodology" for approval by the DESC. However, we realise that it is not always possible to progress Modification Proposals in logical sequence and we are well aware of the concerns over the current Seasonal Normal Values which are based on long-run data and do not necessarily reflect more recent changes to the housing stock and the effects of climate change. Transporters have traditionally been reluctant to build these changes into the demand models as they represent a risk to Users, but the view expressed in the development group is that this is what Users want: accordingly, we will all consider the changes to the demand models based on the data sources described in the Proposal.

We also appreciate the desire of some Users to access additional data which may be satisfied by the requirements in this Proposal for the Transporters to publish the weather station substitution methodology and allow access to the database by Users.

Are there any new or additional issues that you believe should be recorded in the Modification Report

NGD is aware that the procurement process associated with implementation may not be straight forward due to confidentiality issues and that this has been highlighted to interested parties. We believe that this has been discussed and that all parties will be prepared to work through the issues.

Relevant Objectives:

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers. Whilst the methodologies themselves remain to be proven, their development and the option for them to be adopted (if the majority of DESC members believe that it will improve the accuracy of energy allocation between NDM Shippers in the SSP and LSP markets) has the potential to further this objective.

Standard Special Condition A11.1 (f): So far as is consistent with subparagraphs (a) to (e) the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

NGD has no reason to disagree with the comments in the Draft Modification Report in relation to the better facilitation of this Relevant Objective.

Impacts and Costs:

Treatment of Costs - The Proposer has suggested that the cost of procuring the data should be split 50/50 between NDM shippers and Transporters. NGD remains to be persuaded that Transporters particularly benefit from implementation; however, given that the outputs from the new methodology would flow through to our planning processes, we accept that the 50/50 split is a pragmatic way forward.

Implementation:

This Modification Proposal could be implemented with immediate effect.

Legal Text:

NGD is content that the legal text reflects the intent of the Proposal. We note that the obligation for Transporters to procure the development of the "Weather Station Substitution Methodology" and the "Climate Change Methodology" have been placed into the Transition Document, on the basis that these are viewed as one off events. It is not clear whether or when this obligation will fall away. In other words the obligation can be fulfilled as a "one off" but it is not clear whether an ongoing obligation would exist.

Is there anything further you wish to be taken into account?

NGD has not identified any such matter.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653994 (alison.chamberlain@uk.ngrid.com) should you require any further information

Yours sincerely,

Alison Chamberlain
Network Code, Distribution