

27<sup>th</sup> February 2006

Julian Majdanski  
Joint Office of Gas Transporters  
51 Homer Road  
Solihull  
West Midlands  
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Dear Julian

**Re Revision to the Notice Period regarding the implementation of changes to Transportation Charges**

Northern Gas Networks do not support the implementation of this proposal to the UNC.

Whilst it is simple in its intent, it does not provide the additional price certainty which some suppliers are keen to gain through an extension of the timetable from two to four months.

Any extension would in effect mean the Transporters indicative prices would become its actuals going forward. The likely consequences of such a change would be a marked swing in year on year transportation charges as each Transporter 'corrected' its actual prices with more robust data for each subsequent years price changes.

Should Transporters be compelled to provide price changes some four months ahead of the current October price change, there is an increased likelihood that Transporters will over recover and as a consequence be penalised under the various Licence conditions which govern such over recovery scenarios. No Transporter will readily risk such an over recovery and as such the prices utilised may understate the likely change to better protect any chance of over recovery. Clearly such a move would serve to exacerbate the imposed decrease in pricing accuracy this modification proposal brings.

One of the factors behind this Modification proposal is the existing practice of customer contracts being aligned to the October gas year period. Should the existing two month period be retained, then suppliers may be able to improve individual competitive advantages by altering the start date of such contracts to fully reflect the actual prices currently provided two months ahead of this October date.

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On a practical note, for this year (2006), any implementation would need to take account of the internal governance of Transporters which would require a minimum of 4-6 weeks to get any actual price changes signed off at the appropriate level, should the existing two month window alter in any way.

Yours sincerely

Robert Cameron-Higgs  
Network Code Manager