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Dear Julian

Modification 0115/0115a: Correct Apportionment of NDM Error

Northern Gas Networks believe that the above proposals are a constructive means of advancing a recognised imbalance in current RbD charging processes. Both proposals carry merit, however given that any proposal can only be implemented in its whole concept, we are unable to support either proposal with respect to implementation.

Our representation sets out those areas we believe could be carried forward in further development which may in time lead to an appropriate proposal amending the UNC.

0115 (BGT)

British Gas Trading's (BGT) proposal is centred around an argument that theft and unregistered sites (for example) are not a small supply point (ssp) only issue, and as such it would be appropriate for large supply point (lsp) shippers to bear some of the industry costs in this area. What is recognised throughout much of this and GDFs alternate proposal (0115a) is the difficulty in quantifying the extent of this problem. Modification 0115 does not require any quantification of this problem however, as it seeks to use the reconciliation energy as the basis for any energy re-allocation. While this approach is simple in its approach, it is not entirely appropriate for the lsp market, and may lead to an inappropriately high charge to lsp shippers.

In view of the fact that lsp sites have reconciled, any additional energy charges, invoiced via the RbD smearing process, would be similar to a double reconciliation. Additionally, it is our view that some of the issues identified are thought to be less prevalent within the lsp market, and that any proposal should be shaped to take account of any objectively measured differences between the two market segments.

A single rate covering both market areas (the ssp rate), proposed by BGT is not an appropriate route. The Gas Transporters Licence, Standard Special Condition A5, requires that a charging methodology should result in charges which reflect the costs incurred by the licensee of its transportation business, properly taking account of developments in the transportation business to facilitate effective competition between gas suppliers and gas shippers.

There are areas of potential NDM error, NGN believe, should be attributable (in part) to the lsp market. We do not underestimate the difficulty in attributing values/percentages to such areas, however we are of the view that the smear proposed by BGT will disproportionately pass these costs to the lsp market.

Theft: The most common theft is post the ECV and is each shippers responsibility, with all shipper theft being invoiced to the ssp market. Whilst incidents of theft are lower in the lsp market, analysis reported by xoserve for 2006 demonstrates that less than 1% of theft is attributable to lsp, however this equates to close to 10% of volume of estimated stolen gas.

Unregistered sites: Whilst accepting that this category of site is predominately an ssp issue, there are unquantified elements of lsp sites in this category. The materiality of this category should dictate any element that may be considered appropriate for wider smearing to the whole shipping community.

#### 0115a

NGN agree with GDF's views with respect to the separation of charging between the ssp and lsp market.

However, we are unconvinced that the exclusion of monthly read meters from proposal 0115a is appropriate. Evidence supplied by xoserve demonstrates that close to 10% of the monthly read lsp population have not been read within a 4 month window.

Similarly, in terms of read performance the last information presented to the RbD sub group showed that although the average read period for a monthly reconciliation (based on monthly read sites) was 49 days, there was a spread of reconciliation upto 200 days.

Standard Special Condition A11 determines that UNC proposals secure the effective competition between relevant shippers. Despite the merits of elements of these proposals, NGN do not believe that an extension of the smearing mechanism outlined in 0115 or 0115a can be adequately judged to better facilitate this condition at this time.

It is our view that a separate proposal that builds on some of the changes contained within these proposals should be progressed whilst recognising some of the fundamental principles established to date (specifically the separation of charging).

I hope you find these comments useful.

Yours sincerely

Robert Cameron-Higgs  
Network Code Manager