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Modification Panel Secretary
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Dear Julian,

Modification Proposals 115 / 115a Correct Apportionment of NDM Error.

Thank you for the opportunity to comment on the above UNC Modification Proposals.

The principals of both proposals are very similar in that they both aim to change the scope of the apportionment of unreconciled energy. British Gas Trading's (BGT) modification 115 proposes unreconciled energy should be borne by all NDM supply points, Gaz de France ESS's (GdF) proposal modification 115a, to extend it to all non-monthly read supply points in the NDM; therefore all Daily Metered Supply Points and Monthly Read Meters would be excluded from the scope of the proposal.

We understand the RbD verification presentation indicated that significant quantities of unreconciled energy exists at any time and this has resulted in an over-allocation of as much as 3% of SSP demand, this derives from, amongst other areas, unregistered sites, shipperless sites, undiscovered theft, AQ errors, deeming errors, although no evidence has been provided to support this over-allocation of 3%. SGN are also aware that best endeavours to quantify undiscovered theft have been made, however, it still remains difficult to do this therefore the analysis carried was not concrete enough to invoice on. This said the analysis did however suggest that looking at reconciliation as a percentage of LSP throughput shows a high correlation between increases in the size of the LSP market and increases in reconciliation as a proportion of LSP; which supports the premise that there is an 'error' percentage in the LSP that is being included in the SSP charges. However after the analysis carried out there still appears to be an uncertainty of where the error percentage lies. In summary, although we agree with Modification 115 that the SSP market should not bear the whole RbD allocation we cannot support the proposed allocation as set out within it either, nor can we support the exclusion of large NDM Supply Points as proposed in Modification 115a.

Also modification 115 proposes all supply points would pay a single price for the transportation charge element associated with unreconciled energy which would mean LSP paying a higher

transportation charge. Modification 115a proposes for charges to reflect the normal prices set for individual LDZ transportation charges in a particular sector. SGN agrees that Modification 115a better aligns with the Charging Methodology Objectives and removes an element on contractual risk between suppliers and customers in the I&C market.

We note implementation costs for users could be increased to develop pricing systems to support the additional invoices which will be processed and reconciled. It is proposed that cost recovery should be thorough the price control review process. A system impact assessment needs to be undertaken by xoserve to ascertain the extent of any changes required to UK Link, which would be minimal if an offline solution is implemented.

We feel that we cannot support implementation of either modification as they currently stand, however we would support any further discussion which could lead to an appropriate proposal being raised to amend the UNC.

We hope you find these comments helpful.

Yours sincerely

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