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Dear Julian

**Re: UNC Modification Proposals 0152V, 152VB and 0152AV: "Limitation on Retrospective Invoicing and Invoice Correction".**

Shell Gas Direct (SGD) Ltd, the holder of both gas supplier (non-domestic) and shipper licences respectively, offers the following comments in response to these proposals. This response is not confidential and may be placed on your website.

Please note for the avoidance of doubt that SGD does:

- a) not support implementation of 0152V and 152VB; but
- b) does support implementation of 0152AV as proposed by Statoil UK.

**Comments**

SGD understands and appreciates the stated intention behind these proposals. That is, limiting the period over which transporter / shipper invoice queries can be retrospectively corrected (as opposed to the current situation which includes all invoices post-February 1998) could be expected to result in a number of benefits, including cashflow certainty and administration costs.

**Time Periods**

Clearly, each of the proposals specifies a time-limited period. In the case of 0152V and 0152VB, essentially four and five years respectively on a rolling annual basis ('Five' and 'Six' Year models); and in the case of 0152AV, a six year period, again on a rolling annual basis. However, only 0152AV provides any justifying and objective rationale, ie. this period of time would be in keeping with English statute law.

By way of contrast, the periods referred to in 0152V and 0152VB are not so clearly justified. 0152V states that this is the minimum period recommended by Review Group 126. This may be true but it is important to note that it is the *minimum* period; logically, a longer period could be appropriate.

In opting for this minimum period, it may be that the proposer has its own particular type of portfolio and exposure in mind. If so, this is perfectly understandable from a commercial perspective.

However, SGD would contend that on a point of principle the UNC should, where applicable, be in line with English statute law rather than the commercial interests of a particular type of shipper/supplier. This must be the case if in opting for the latter, it is to the detriment of others.

### ***Competition***

Clearly, an argument could be made for shorter retrospective invoicing periods incentivising more efficient behaviour amongst market participants and transporters. However, too short a period could have a negative impact on competition.

SGD would imagine the shorter the period, the greater the likelihood of an increase in resource requirements (on the basis that more resources may be required to handle invoices or risk invoices becoming unrecoverable due to a shorter period of time). Large, incumbent companies may be able to bear this resource burden better than others, especially new entrants (either to the domestic and/or I&C market).

### **Relevant Objectives**

To a degree, all three proposals further some of all of the relevant objectives. There is, however, one notable exception.

***Standard Special Condition A11.1 (d)***. For the reasons indicated above, SGD considers that 0152AV is more likely to further this relevant objective as it:

- a) reduces the exposure faced by shippers / suppliers to a gap between the UNC and English law; and
- b) is less likely to lead to a requirement for additional resources.

Both 0152V and 0152VB could be expected to have the opposite effect.

I trust you have found these comments helpful.

Yours sincerely



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