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Modification Panel Secretary
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23 January 2008

Dear Julian,

Modification Proposal: 0171/171A Amendment of "User SP Aggregate Reconciliation Proportion" to Incorporate Historical AQ Proportions.

Thank you for the opportunity to comment on these Modification Proposals. Scotia Gas Networks is supportive of both Modification proposals, with a preference for 0171A.

The principals of both proposals are very similar in that they both:

- change the regime under which reconciliation charges associated with LDZ metering errors are billed.
- apply credit/debits to those Shippers that were active in the market at the time the reconciliation invoice is issued.
- any monies not being recovered due to Shipper's becoming insolvent is to be smeared across the industry based on Shippers proportion of AQ holdings.
- apply to reconciliations of 50 GWhs or more.
- In the case of a User being merged with or acquired by another User, the existing post-merger User or the User that carried out the acquisition will be liable in relation to the former User.

Modification Proposal 0171

RWE npower's proposal 0171 aims to ensure any metering errors which are required to be changed retrospectively is done so by calculating the Shippers share based on their historical AQ holdings on a daily basis in the period the error occurred.

Modification Proposal 0171A

British Gas Trading's alternative proposal seeks to apply the principle of invoicing meter error charges based on historical AQ holdings from 01.04.08, or a future 'Proposed Effective Date' to be specified by Ofgem. As such Modification Proposal 0171A allows Shippers entering the market after the 'Proposed Effective Date' greater confidence that they will not incur charges relating to a period prior to their market entry. This would also provide Shippers with certainty when making commercial decisions based on a regime that will not be changed retrospectively.

Implementation costs/timescales

In order to support implementation of either proposal we understand there are two options available. Option 1: an offline solution with implementation timescale of approximately 4 months, costing up to £50K. Option 2: an integrated and more robust option requiring additional analysis and potentially greater development costs; which are not available at this time. Implementation timescales are approximately 9 months.

The most appropriate solution will be made following Ofgem direction. However at this stage SGN is of the view that an offline solution would be suitable.

SGN believe that implementation of either Modification would help ensure that costs are targeted at those who incur them, facilitating the licence objective of cost reflective charges, but believe 171A would provide greater clarity for new entrants.

We hope you find these comments helpful.

Yours sincerely

Bali Dohel
Network Officer