

Tim Davis
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

30th October 2008

Dear Tim

Re: Modification Proposal 0194 - Framework for correct apportionment of NDM error and 0194A - Framework for correct apportionment of LSP unidentified gas

GM&T-RETAIL welcomes the opportunity to comment on the proposed implementation of modification 0194/0194a. GM&T-RETAIL supports the Implementation of 0194a, and does not support the implementation of modification 0194.

At present the RbD regime allocates all unidentified gas to Smaller Supply Points (SSPs). There is broad agreement that this is inequitable and does not provide sufficient incentives to Shippers to investigate the causes of unidentified gas and so to minimise its scale. It is therefore appropriate that some of this unidentified gas is allocated to Larger Supply Points (LSPs) and that the mechanism for such allocation is appropriate for such allocation.

Modification 0194 proposes to extend RbD to the LSP market to allocate unidentified energy. As was identified in the development workgroup there are significant issues in this approach.

RbD variance will introduce inefficiencies as Shippers will be exposed to a daily varying level of gas which will be difficult to contract for and not be related to the activities of its customer base. As it is conceivable that RbD can provide a net credit to the LSP community, the use of RbD may create the perverse outcome that LSP shippers are compensated for unidentified gas.

It is the opinion of GM&T-RETAIL that there is no positive correlation between the size of the RbD "pot" and the volumes which should be applied to the individual error categories. For example it is wholly untenable that as the RbD volume varies there is a proportionate variation in the volume of Late Confirmed sites.

With RbD not being a suitable mechanism, the Mod 0194 development group considered the way in which transporters take into account theft and leakages as part of their network responsibilities. These losses are currently estimated as discrete values based on analysis of network operations. In moving from a sliding percentage of total throughput to fixed volumes, Ofgem noted as part of its GDPCR consultation "*The evidence available shows that there is little correlation between shrinkage and throughput for the existing networks*". A fixed value was considered more appropriate.

We agree with Ofgem that it is more appropriate to allocate to the Large Supply Point market via a fixed amount of unidentified gas. This provides appropriate incentives to those Shippers with a Large Supply Point portfolio whilst allowing Shippers supplying such sites to factor in such costs to their gas procurement strategies.

I trust these comments are helpful. If you have any queries regarding this response please contact myself on 0161 838 9533.

Yours sincerely

A handwritten signature in black ink, appearing to read "Glenn Nixon".

Glenn Nixon

Customer Support Manager

Gazprom Marketing & Trading Retail Ltd