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Re: Modification Proposal 0204: "Amendment to the calculation of WCF"

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. National Grid Gas (Distribution), ("NGD"), would like to offer support for this Modification Proposal which has been raised by E.ON, and believes that it reflects the outcome of Review Group 0176 and has the potential to improve the current regime.

We concur with the view of the Proposer that implementation would better facilitate SSC A11.1 (d) by potentially offering a more accurate initial allocation mechanism and thus reducing reconciliation volumes. This minimises risk for existing market participants and new entrants to the market, thus facilitating competition.

Implementation Issues

In relation to the revised approach to calculating the Weather Correction Factor ("WCF"), we are informed by xoserve that implementation of this aspect of the Proposal could be achieved by a manual workaround but an Ofgem decision would be required by 1/8/08. However the changes proposed in the modification in relation to calculation of Daily Adjustment Factors ("DAFs") could not be implemented until 2009.

We also believe that it may be appropriate to check the aggregate AQs quarterly on 31 December, 31 March etc, with reasonable endeavours for a timely update if necessary. This is due to the volume of AQ Appeal activity during November and December (a check at the end of December would capture this).

Proposed Legal Text.

NGD believes that for completeness the legal text should include the changes proposed to both the WCF and the DAFs.

Ideally the mod proposal would be reworded to explain that a two stage implementation is required and NGD believes that this could be done via a variation request and transitional arrangements. Another option would be to drop the amendment required the DAFs from the nature of this Proposal and raise it as a separate modification Proposal for implementation at a later date.

We would also note that there is a bracketing error in the proposed text and that the sigma sign should be outside of the brackets.

Other aspects of the Draft Modification Report

It should be noted that minor system and process changes will be required within xoserve to facilitate implementation and shippers who currently replicate the allocation processes will have to make changes, as a result of implementation of this proposal, as they will have to update SND in their systems periodically.

If you should you have any queries relating to this representation, please contact Alison Chamberlain on 01926 653994.

Yours sincerely

Phil Lawton

Distribution Regulation Manager