



Modification Panel Secretary
Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

11 April 2008

Dear Julian,

Modification Proposal 0204: Amendment to the calculation of WCF

Thank you for the opportunity to comment on Modification Proposal 0204. Scotia Gas Networks supports implementation of this Modification Proposal.

This Modification Proposal has been raised following discussions through a Review Group 0176, it has been raised to devise a formula with a Weather Correction Factor (WCF) that does not rely on the Seasonal Normal Demand (SND) forecast prepared by the Distribution Network. The WCF is calculated in advance of the gas day in the NDM Nominations process and is also part of the NDM Allocation process in which energy shared to each shipper after the Gas Day. The allocation is scaled to ensure all gas transported on the day is allocated out, and the scaling factor necessary to balance the calculation should be closer to 1 under this proposal.

We note that the proposal states that the Daily Adjustment Factor (DAF) will continue to be derived from the demand estimation sample data and scaled to Gemini connected load but will not use the Transporters view of future Seasonal Normal Demand (SND). This change has not been reflected in the legal text (2.5.1). From initial discussions with xoserve we understand by inclusion of DAF in the legal text this proposal could not be fully implemented by xoserve by 1st October 2008 as DAF calculations are published in June of each year and therefore would be very difficult to achieve in the short timescales. The DAF calculation also uses DNS' forecast SND but is not impacted significantly.

With regards to 2.5.2 of the legal text, we agree that the aggregate Annual Quantity for each LDZ should be evaluated quarterly in December, March and June, but where the change is more than 1% and an update is required to the ΣQ_{EUC} values, we are led to believe by xoserve that a 1st of the following month application of those values would be unrealistic. This is due to the lead times required to update xoserve's systems.

We believe there to be minor costs for xoserve to implement the increase in calculations required, which should be managed by their current resource levels. Minor process and systems changes will be necessary.

SGN believe that the improvement in the allocation profiles will help ensure that energy is allocated more accurately on the original commodity invoice and for energy balancing. This will reduce misallocation between market sectors. Therefore, implementation of this Modification Proposal could better facilitate relevant objective A11.1 (d) securing effective competition between relevant shippers, suppliers and/or DN operators.

We hope you find these comments helpful.

Yours sincerely

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