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Modification Proposal 0244
‘Amending DM Supply Point Data for Sites with Significant Changes in Usage’
Modification Proposal 0244A
‘Introduction of an Exception Process for Decreases in Supply Point Capacity (SOQ) at Daily Metered (DM) Supply Points’
and Modification Proposal 0244B
‘Amending DM Supply Point Data for Sites with Significant Changes in Usage’

Dear John,

Thank you for your invitation seeking representations with respect to the above Modification Proposals. National Grid NTS has submitted a consolidated response to all three Proposals and for the avoidance of doubt we wish to clarify that we understand that Proposal 0244, 0244A or 0244B relates to DN connected Exit Points only.

One) General Points

Whilst National Grid Transmission has sympathy with the Proposers we are unable to offer support for either Modification Proposal 0244, 0244A or 0244B, for the reasons detailed below.

By effectively allowing capacity charges to be revised by Shippers within year, all three Proposals could result in a detrimental effect on the accurate targeting of transportation charges since the reduction in charges at one Exit Point would need to be addressed by increasing charges more generally in order to recover the Transporter’s allowed revenue. For some transporters this adjustment may take place within that formula year whilst for other transporters this may not take effect until the subsequent year. National Grid NTS has an obligation only to set NTS Exit Capacity charges once a year from 1st October as such, all of the Proposals have the potential to increase the likelihood of NTS revenue under recovery, assuming that the proposal resulted in a short term reduction in SOQs. Any under-recovery of revenue would result in this revenue requirement being passed through to shippers in the following formula year.

Two) Proposal specific issues:

Modification Proposal 0244 ‘Amending DM Supply Point Data for Sites with Significant Changes in Usage’

We have concerns regarding the retrospective invoicing of charges and believe that the cost of implementation of this proposal would be disproportionate to the issue that this proposal is seeking to address. We would welcome more detail on the costs and benefits arising from the implementation of this proposal to allow a better assessment in this area.

Modification Proposal 0244B 'Amending DM Supply Point Data for Sites with Significant Changes in Usage'

We believe that this proposal would require appropriate processes (either manual or automated) to assess User applications and reject those applications which seek to apply an inappropriate reduction in SOQ to one which is below the Bottom Stop SOQ for that Exit Point. We are concerned that without these processes being in place an inappropriate SOQ could be applied. We also note that Proposal 0244B confirms our general comments above that the implementation of either of the proposals could result in under recovery of transportation revenue by DNO's particularly for 09/2010 and that this would flow through to recovery of this allowed revenue through the transportation charges for 2010.

2) Extent to which implementation of this Modification proposal would better facilitate the achievement (for the purposes of each Transporters Licence) of the Relevant Objectives:

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

We do not believe that any of the proposals further this relevant objective. By effectively allowing capacity bookings to be revised by Shippers within year, all three Proposals could result in a detrimental effect on the accurate targeting of transportation charges since the reduction in charges at one Exit Point would need to be addressed by increasing charges more generally in order to recover the Transporter's allowed revenue. Any under-recovery of revenue could result in this revenue requirement being passed through to shippers in the following formula year.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:
(i) between relevant shippers;
(ii) between relevant suppliers; and/or
(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

Whilst reducing the User's capacity bookings at a DM Supply Meter Point in line with their ongoing capacity requirement might improve the short term cost of the User's transportation charges during the current economic downturn, to the extent that either of the proposals are successful in doing this the proposals could also increase the likelihood of NTS revenue under recovery, which could result in this revenue requirement being passed through to Users in the following formula year, and therefore we do not believe these proposals better meet this objective.

We recognise that the Proposer of 0244B has noted that implementation of these proposals may also result in under recovery of transportation revenue by DNOs, particularly for 2009/2010.

4 b) Development and capital cost operating cost implications

The additional processes required for these proposals, particularly in relation to the retrospective charging elements, seem disproportionate to the issue they are seeking to address.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs;

National Grid Transmission agrees with the Proposer of 0244 that should costs be identified then Gas Transporters may wish to subsequently propose changes to the ACS with a view to recovery of these costs from Users on a user pays basis.

In summary National Grid NTS does not support any of the proposals, please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Beverley Viney