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Modification Panel Secretary
Joint Office of Gas Transporters
First Floor South
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Dear John

Re: Modification Proposal 0254: Facilitating the use of forecast data in the UNC

Thank you for providing SGN with the opportunity to comment on the above Modification Proposal. SGN supports implementation of this Modification Proposal.

Modification Proposal 0218 Amendment to the base period to define Seasonal Normal Weather introduced the concept that both historical and forecast data could be used by the Transporters when developing their view of Seasonal Normal Weather. However through DESC it has become apparent that current text in the UNC may prevent the use of EP2 data. This proposal aims to make the necessary changes to UNC Section H to allow EP2 data to be used.

We believe the arrangements set out in this proposal represent a simple and pragmatic solution which, by modifying the UNC, would provide clarity and assist DESC with the necessary requirements to facilitate the use of EP2 data.

SGN has the following comments to make in respect of specific sections of the Draft Modification Report:

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

The proposer states implementation of this proposal will improve the accuracy of AQ values and hence could provide the Transporters with an increased ability to operate the pipeline system in a more efficient and economic manner. Transporters plan their gas pipeline networks such that the pipeline system is capable of supplying the Firm Demand at 1 in 20 year conditions and hence must ensure that economic investment in the pipe-line system takes this into account. Calculation of peak 1 in 20 year demand figures should not solely be derived from the AQ as the relationship between AQs and peak 1 in 20 demand figures is not linear, in that where an AQ decreases the peak 1 in 20 year demand figure does not necessarily decrease by the same rate. Although implementation of this proposal may provide more reflective AQs we consider they would not



necessarily be more accurate, therefore, SGN believe implementation of this proposal would not further this relevant objective.

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;

SGN agree with the proposer that implementation of this proposal would ensure energy is allocated more accurately on the original commodity invoice and minimise movement of energy between market sectors through reconciliation. We also agree that this would be expected to minimise uncertainty for new entrants, however, we are not entirely convinced that increase revenue certainty for DNs.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal:

b) Development and capital cost and operating cost implications:

We understand the data derived from the EP2 model is being provided to the Gas Transporters free of charge. However, the Met Office has identified the costs for updating this model every 3 to 5 years will be approximately £50,000+VAT. Transporters would be liable for these costs if no other party requires an update to the model. The proposer has indicated that this is unlikely.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk.

SGN believe that by increasing the certainty of initial charges implementation may improve cost allocation amongst Users which would affect their operating costs.

We hope you find these comments helpful.

Yours sincerely

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