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Modification Panel Secretary
Joint Office of Gas Transporters
First Floor South
31 Homer Road
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04 December 2009

Dear John,

Re: UNC Modification 0275: Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage.

Thank you for providing Scotland Gas Networks & Southern Gas Networks with the opportunity to comment on the above UNC Modification Proposal. SGN would like to offer support for the implementation of UNC Modification Proposal 0275.

SGN have been made aware via the attendance at several industry meetings throughout 2009 that a number of Large Supply Point Shippers have indicated that there is a requirement to introduce a mechanism to allow Shippers to reduce their Daily Metered (DM) Supply Point capacity holdings in a more timelier manner compared to the existing mechanism. This requirement has been borne out of a communication from their end user customers that due to an increasing downturn in the GB economy a number of DM Supply Points currently have registered capacity holdings which are in excess of the requirement of the end user. Due to the current UNC rules which prohibit a reduction of the DM Supply Point Capacity below the Bottom Stop Supply Point Capacity it has been suggested that the ability to reduce the Supply Point capacity at DM sites should be modified on a transitional basis to meet short term GB industry requirements.

Modification 0275 provides for a mechanism which would allow Shipper Users to reduce DM capacity holdings below the prevailing Bottom Stop Supply Point Capacity within the existing Capacity Reduction Window period during the gas years 2009/2010 & 2010/2011. This would enable a reduction in LDZ DM Capacity charges to Shipper Users based on this reduced Supply Point Capacity nomination although any LDZ Capacity held previous to the reduction would not be held in reserve for any subsequent requirement at the Supply Point. Shipper Users would also be required to submit a letter of consent from the end user detailing the reasons for the reduction and that gas would continue to be off taken from the Total System.

Previous UNC Modifications (UNC MODs 244, 244A & 244B) attempted to introduce a modification to the UNC which would have permitted a transitional arrangement to allow the reduction of Supply Point capacities at DM Supply Points. Within the Ofgem decision letter, which did not provide for any of the three Modifications to be implemented, were detailed



several points which would need to be considered by any future Modification Proposal. These included evidence of need which would be required to be provided by Shipper Users on behalf of their end users, any transitional mechanism would not be open to abuse or 'gaming' and that NDN Shippers would not have to bear a disproportionate share of the costs of capacity on the distribution system. National Grid have provide figures which indicate for their distribution networks there would not be a significant increase in the costs apportioned to the NDM Supply Point market if Modification Proposal 0275 were to be implemented. Within the Modification Proposal are also detailed mechanisms to limit the possibility of gaming at DM Supply Points by incentivising Shippers not to exceed their Supply Point Capacity having reduced the capacity below the Bottom Stop level.

SGN have followed closely the development of UNC Modification 0275 and consider that it would enable the introduction of a transitional mechanism to allow the timely reduction of DM capacity whilst tackling the previously raised issues which were detrimental to the implementation of UNC Modification Proposals 244, 244A & B.

I hope you find these comments useful and should your enquire any additional information please do not hesitate to contact myself.

Yours faithfully

Joel Martin.