

September 10th, 2010

Mr. Tim Davis  
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West Midlands  
B91 3LT

**Response to Proposed UNC Modification 0327: “Alternative to Interim Allocation of Unidentified Gas Costs”**

Dear Tim,

First Utility does not support Proposed UNC Modification 0327.

The proposer’s calculations appear to be built on the assumption that there is a direct correlation between the amount of capacity held by the NDM LSP sector and unallocated gas volumes – essentially, that this volume is evenly spread across the market. As yet, this has not been proven to be the case although hopefully the appointment of the AUGE and the work carried out by it will shed more light on the matter.

We are concerned that the very large sum of money suggested by the proposer as an interim payment by the NDM LSP sector prior to the AUGE making its determination as to the scale of the issue could have a detrimental effect on the ability of the I&C community to compete effectively in the LSP market.

Given the nature of pricing arrangements prevalent in the LSP market, it could be extremely difficult for Users who are primarily or exclusively engaged in supplying that market to pass this cost on to their customers and we are concerned that this large additional financial burden could affect the commercial viability of those businesses with the potential associated impact on competition in that sector. In addition, the retrospective element proposed in the Mod would potentially introduce considerable uncertainty to the LSP sector with the same erosion of competition.

The I&C sector has accepted that it should contribute its fair share to the cost of unallocated gas but we feel it would be appropriate to wait until the AUGE has made its determination rather than allocate very large interim unallocated gas volumes to the NDM LSP sector prior to this determination on the basis of analysis which has not been subject to independent third party oversight.

Please do not hesitate to contact me if you have any questions or would like any further information.

Regards,



Chris Hill

Regulation

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