

**Statoil (U.K.) Limited
Gas Division**

Statoil House
11a Regent Street
London SW1Y 4ST

Switchboard: 020 7410 6000
Central Fax: 020 7410 6100
Website: www.statoil.co.uk
Email: rstreet@statoil.com
Direct Line: 020 7410 6071
Direct Fax: 020 7410 6108

Mr. Julian Majdanski
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ
enquiries@gasgovernance.com

Friday, 11 May 2007

Dear Julian,

Re: Modification Proposal 115 & 115a: Correct Apportionment of NDM Error

Thank you for the opportunity to comment on the above modification proposal. Statoil (UK) Ltd (STUK) is in support of modification proposal 115a and is not in support of modification proposal 115 and would like to make the following comments.

1. Theft of Gas

As a mainly Large Supply Point (LSP) Supplier STUK have no record of ever experiencing theft of gas in their portfolio. STUK therefore supports the Gas de France ESS (GdF) view of the level and risk of theft of gas in the monthly read LSP sector. Levels of theft between annually read Small Supply Points (SSP) and monthly read LSPs are not comparable for a number of reasons described below:

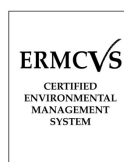
Risk versus reward

In the SSP sector theft is much more likely to result in personal gain whereas in the larger LSP sector there is unlikely to be the same personal incentive. The reputation risk alone for medium to large companies is a strong disincentive to steal gas. Added to this is the perception (real or not) that the threat of prosecution in the LSP market is much greater than the SSP market.

Opportunity

The knowledge, skill, equipment and tools required to steal gas from a larger gas meter undetected is considerable. With the greater focus I&C shippers give to monitoring the consumption of individual supply points and the the greater likelihood of a meter reader attending a larger meter and performing a physical check, attempting theft from larger gas meters is actually extremely difficult. On the other hand it is considered relatively easy for users to steal gas from the meters used on most SSP's.

STUK note that the E6 meter used on a minority of SSPs makes the theft of gas far more difficult. These are more expensive however than the traditional U6 meters and have therefore not been favoured by most suppliers in this market.



ISO 14001 Certificate 156



ISO 9002 Certificate No. 34477

2. Unregistered/Shipperless Sites

This has not been a major problem either now or historically in the larger monthly read LSP sector. In part this is due to the more focused siteworks process required to add, change or remove metering equipment for all large I&C supply points. The relatively low levels of mobility of the users in this sector also makes it far less likely that a site is Shipperless.

Where a user stops using gas in the large I&C sector the Supplier is hugely incentivised to have the supply physically severed to avoid paying metering charges and to avoid the risk of a retrospective claim from the transporter in the event that the supply point is used.

3. AQ Errors, Deeming Errors and other Metering Issues relating to unregistered or inappropriately registered energy

STUK's internal analysis shows that the vast majority (over 97pct in 2006) of monthly read sites are successfully read each month. Discussions with STUK's meter reading agent regarding this issue suggests that STUK's read performance is in line with other suppliers with a similar portfolio. STUK therefore fully agree with GdF's view that the contribution of monthly read LSP's to unregistered or inappropriately registered energy is 'insignificant and temporary' in nature. STUK accept this may not be reflected across all LSPs as some smaller LSP's are annually or biannually read.

Conclusion

All the evidence suggests that monthly read LSPs add little or no unreconciled energy to the SSP sector either via incomplete meter reading, shipperless sites or through theft of gas. To include these supply points in the RBD process therefore appears rather perverse. Modification 115 not only includes large monthly read sites but then charges them at the SSP rate. If implemented this would create a cross subsidy from the large I&C sector to the domestic sector.

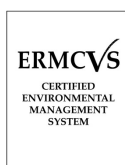
STUK accept that the smaller annually read LSPs may well exhibit behaviour akin to the SSPs. One might argue that small businesses or sole traders may have similar incentives to SSPs to steal gas for personal gain and if they have a smaller annually read meter they are likely to have similar opportunity. Just like SSPs, annually read LSPs are also much more likely to add to unreconciled energy due to incorrect AQ's or deeming errors. For this reason STUK believes the GdF alternative modification 115a would create a regime that would represent a fair apportionment of this unreconciled energy.

STUK trust that its comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours faithfully

Richard Street*
Statoil (UK) Ltd

**Please note as this letter has been delivered electronically this letter is unsigned*



ISO 14001 Certificate 156



ISO 9002 Certificate No. 34477