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Your Reference: UNC Modification Proposal 0395.

Re: UNC Modification Proposal

0395: Limitation on Retrospective Invoicing and Invoice Correction (2 to 3 year solution).

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which National Grid Gas Distribution (NGD) would like to oppose.

Do you support or oppose implementation?

Oppose.

Please summarise (in one paragraph) the key reason(s) for your opposition.

It is our opinion that the implementation of this Modification Proposal would not be consistent with requirements of the relevant objectives, as set out in our licence. Should a shortened close out period be implemented, there is a risk that certain costs arising through the reconciliation process would be prevented from being correctly allocated. Information provided in the Draft Modification Report relating to the amount of allocated energy which remains unreconciled over time shows a significant increase when comparing a 2 -3 year close out with a 3 - 4 year close out in relation to the amount of unreconciled energy.. We are also aware that, although there is a UNC process for ensuring that all meters are read a least once every two years, there is a possibility that certain reconciliation meter reads could fall outside the close-out period and, while this is not a major concern, we do not believe this is appropriate for any primary reconciliations to be curtailed.

Are there any new or additional issues that you believe should be recorded in the Modification Report

We understand that a UNC Modification Proposal may be forthcoming from Users (the associated topic is currently under discussion in the Distribution Workgroup). We believe it identifies an option for allowing a claims process for Users to correct settlement errors (subject to a materiality clause), for the period after the close out of reconciliation for the maximum, period permitted in the Limitations Act. To some extent this may be viewed as counter to the objectives of this Proposal 0395.

We note the information provided by NTS in their representation for Modification Proposal 0398 which shows the potential impact on NTS Users should the costs associated with NTS/LDZ meter errors reconciliation remain uninvoiced. The current processes and timescales for resolving such meter errors is a product of the NTS to LDZ Meter Error Guidelines which received support from a number of UNC parties. A 2 - 3 year close out period would in some cases be at odds with this process and could lead to portions of LDZ input meter error adjustments being appropriately allocated.

Overall, we understand the motives for bringing forward the financial close-out and we would generally be supportive of such initiatives. However, as the current industry process stand, and given the time certain processes take to complete, we are of the opinion that a 2 – 3 year close-out is too prompt at the moment.

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?

Not applicable.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Standard Special Condition A11.1 (f) "promotion of efficiency in the implementation and administration of the Code":

It is possible that there could be some savings associated with implementation of this Proposal relating to reduced administration costs and a reduction in the need for data retention. However, we believe that these benefits could be outweighed by a risk from a Transporter's perspective of incorrectly targeting costs to relevant Users.

Standard Special Condition A11.1 (d) "the securing of effective competition between relevant shippers":

Failing to target costs effectively could be detrimental to the facilitation of competition.

Impacts and Costs:

Cost of implementation is not expected to be material and the Transporters do not propose to recover any costs associated with implementation.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We have nothing to add to the information identified within the Draft Modification Report.

Legal Text:

NGD is satisfied that the text as published by the Joint Office within the Draft Modification Report meets the requirements of the Modification Proposal in relation to the amendment of the Code Cut Off Date.

Is there anything further you wish to be taken into account?

No.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653994 (alison.chamberlain@uk.ngrid.com) should you require any further information.

Yours sincerely,

Alison Chamberlain
Network Code, Distribution