

Bob Fletcher
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

6 January 2012

Dear Bob,

Re: UNC Modification Proposal 0356/A – Demand Data for the NTS Exit (Flat) Capacity Charging Methodology

Thank you for the opportunity to provide representation of the above noted Modification Proposals. Northern Gas Networks (NGN) is supportive of these Modification Proposals with a preference for Modification 0356. Please find below NGNs comments in respect of the Modification Proposal.

NGN are supportive of both of these Modifications.

Summary of key reasons:

It is important that charging methodologies are robust and substantiated to ensure the cost reflective charges are applied by the Transporter. Both of these Modifications provide suitable resolution to the issues that have arisen with the modelling of the existing methodology for calculating NTS Exit (Flat) Capacity. Volatility of charging has been raised as an issue by shippers and although NGN does not consider this to have a significant itself, the pass through nature of these charges by Gas Distribution Networks (GDNs) means that variability of NTS charges will impact on the charges applied by GDNs to shippers. It is NGNs view that Modification 0356A will be more susceptible to variability and therefore we have a preference for Modification 0356.

Additional or new issues:

None

Relevant Objectives:

NGN considers that this Modification facilitates the relevant objectives as indicated by the proposer. Specifically, NGN considers:

| Condition | Description | NGN view |
|-----------|--|---|
| (a) | Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business; | Agree that methodology appears to be reflective of NTS business |
| (aa) | That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) No reserve price is applied; (ii) That reserve price is set at a level – (I) best calculate to promote efficiency | N/A |

| | | |
|-----|--|---|
| | and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers; | |
| (b) | that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business; | Agree that changes highlighted in Ten Year Statement are consistent with proposed changes |
| (c) | That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and | Agree that 0356 is consistent with facilitating competition, but some concerns that 0356A could lead to greater volatility as a result of some User actions |
| (d) | That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets). | N/A |

Impacts and costs:

NGN agrees that these changes should not incur any direct User costs.

Implementation:

NGN agrees with the proposed timing of the implementation of these Modifications.

Legal text:

No comments

Any further information:

None

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
Network Code Manager