

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

5 April 2012

Dear Bob,

**Re: UNC Modification Proposal 0404 - Profiling payment of LDZ capacity transportation charges for Small Shipper Organisations**

Thank you for the opportunity to provide representation of the above noted Modification Proposal. Northern Gas Networks (NGN) does not support this Modification Proposal. Please find below NGN's comments in respect of the Modification Proposal.

**NGN does not support this Modification Proposal.**

**Summary of key reasons:**

NGN do not support this Modification Proposal for a number of reasons. We have concerns about the qualifying criteria of the Modification Proposal, which leads Transporters to treat small suppliers opting to use the process with what could be viewed as more favourable terms. Furthermore the legal text does not appear clear in respect of the qualifying criteria and profiling process. These aspects are further described in the Legal Text section of this response.

We detail our concerns about the excessive impact and costs on DNs in the relevant section below and explain why we believe implementation of this Modification Proposal could lead to an increase in bad debt. An increase in bad debt will mean less debt is being paid off and therefore shipper's VAR would increase (per UNC calculation) requiring greater credit security.

Distribution charges on a made on a relatively flat basis throughout the year and are only one element of the overall charges that a Shipper incurs in running their business. It is not clear to NGN that making the changes suggested in this Modification will make a material change to the overall cash-flow of relevant shippers. In the current environment where many residential properties use direct debt to pay utility bills, the Distribution charges element is broadly aligned to this method with the gas usage charges being the material swing in costs.

NGN would like to express disappointment that the smaller shippers which this Modification is aiming to assist did not show interest in the development of the Modification at the relevant Workgroups. This has led us to doubt that there is a real need for such a change.

**Additional or new issues:**

N/A

### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

Condition	Description	NGN View
A11.1(a)	Efficient and economic operation of the pipe-line system	
A11.1(b)	Efficient and economic operation of the combined pipe-line systems	
A11.1(c)	Efficient discharge of the licensee's obligations	
A11.1(d)	Securing effective competition: i) Between shippers ii) Between suppliers iii) Between DN operators and shippers	NGN believes this Modification Proposal if implemented will discriminate against shippers who do not qualify and therefore will not secure effective competition.
A11.1(e)	Provision of economic incentives for security of supply to domestic customers	
A11.1(f)	Promote efficiency in the implementation and administration of the UNC	The excessive administration involved in overseeing this process would not promote efficiency in the administration of the UNC.

### Impact and costs:

*What analysis, development and ongoing costs would you face if this modification were implemented?*

If this Modification Proposal is implemented it will create excessive administrative burdens on NGN to properly administer the processes as it will need to be monitored on a manual basis. This will subject the process to risk of human error, potentially creating inconsistencies between the DN and the Shipper views as to what is due/paid.

It is expected that there will be instances of late payment charges, which will put a strain on cash resources of the Shippers utilising this process together with the additional administrative burden as NGN and other DNs will need to raise ad hoc interest invoices.

This process will lead to an increased chance of bad debt which, in turn exposes the remaining Shipper community to risk should the bad debt be passed through.

### Implementation:

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

NGN are satisfied with the implantation lead-time outlined in the Draft Modification Report due to the manual nature of the administrative changes that would be required.

**Legal Text:**

*Are you satisfied that the legal text will deliver the intent of the modification?*

The qualifying criteria within the legal text could lead to inconsistencies in treatment between Distribution Networks in particular to the qualifying rule contained within V3.9.1 (a) (ii) which NGN believes is intended to prevent smaller shippers that are part of a large group from qualifying.

The profiling notice as described in V3.9.3 and 3.9.4 have not been developed during the workgroups and it is unclear how these would be prepared and utilised. While the capability to profile payments is capped in V3.9.4 this leads to a position that could have all smaller shippers using different terms and agreements within the cap which will increase the administrative burden on all parties.

**Any further information:**

N/A

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