

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

02/08/2013

Dear Bob,

Re: UNC Modification Proposal 0418/A - Review of LDZ Customer Charges

Thank you for the opportunity to provide representation of the above noted Modification Proposal. Northern Gas Networks (NGN) supports 0418 and does not support 0418A. Please find below NGN's comments in respect of the Modification Proposal.

NGN supports 0418 and does not support 0418A.

Summary of key reasons:

NGN support Modification Proposal 0418 as the latest part of a programme of work to make LDZ transportation charge more cost reflective. This is being pursued by basing charges on DN specific costs rather than the national costs on which charges were based at the time of network sales.

Implementation of 0418 would make the charging methodology more cost reflective, which in turn would help facilitate effective competition between gas shippers and gas suppliers.

By focusing on changing the charging methodology for asset related costs to a flat unit rate (pence/kWh) rather than the single flat rate (pence/supply point/day), we believe that implementation of 0418A would create costs being reflected in a way that is not aligned to customers' use of network assets. This would not further effective competition and therefore we oppose its implementation.

Additional or new issues:

NA

Self Governance Statement:

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

NA

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Condition	Description	NGN View
(a)	save in so far as paragraphs	NGN believe both proposals

	(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	would facilitate this Relevant Objective. However, we believe that 0418 is more appropriate than 0418A.
(aa)	that, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency 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	NGN believe both proposals would facilitate this Relevant Objective.
(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	NGN believe that implementation of 0418 over 0418A would facilitate this Relevant Objective as described above.
(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 i) Condition A27 (Disposal of Assets)	

(e)	compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators	
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Impact and costs:

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

Systems development will be incorporated within the Project Nexus changes. If there are system costs to implement the change it will be met by Transporters as detailed in the Workgroup Report.

Implementation:

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

We are satisfied with the suggested target implementation date of 01 April 2015 as outlined in the Workgroup Report.

Legal Text:

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

Yes

Any further information:

NA

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,



Alex Ross-Shaw
Network Code Officer