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Dear Mike

RE: Modification iGT 003 – Implementation of AQ Table resulting from 2006 iGT AQ review

This response is provided on behalf of Independent Pipelines Ltd and Quadrant Pipelines Ltd. Both companies support the adoption of the 2006 AQ Table values, which resulted from the AQ review of that year as the new AQ Table.

The 2006 AQ Review was carried out under an improved process implemented following co-ordinated industry discussion and a modification proposal to each iGT's Network Code. That modification proposal (IPL/QPL 021) mentioned in its support for the change that '*The AQ Review process and the consequent updating of AQ values is consistent with: the efficient and economic operation by the licensee of its pipeline system*'. It is clear from that modification that it was always intended that the revised AQ values resulting from the review would update the AQ values.

Background

Network Code modification proposals were raised last year against all iGTs to change the positioning of the AQ Table (IPL/QPL 019), that is replicating the table from the CSEP NExA in the iGT Network Codes. These were approved. At the same time a modification to the larger gas transporters UNC implementing the 2005 AQ Table of values was made and approved. There has been some confusion regarding the precedence of these modifications that was further complicated by the development last autumn of the iGT UNC. When the iGT UNC was approved it included a transitional document. This held several pending modifications including the 2005 AQ Values Table that were awaiting resolution of several issues raised by the iGTs during the consultation periods. These have recently been resolved following industry discussions facilitated by Ofgem and it has been

agreed with the iGTs that the AQ Table will be incorporated into the iGT UNC on 1st October 2007.

However, in the mean time, another AQ Review has been completed and a revised set of AQ values derived. We believe that it would be sensible to adopt the most current set of AQ values, that is those produced during the 2006 AQ Review. This would require adopting the 2005 Table and immediately replacing it with the 2006 table. As we set asset values based on the AQ values current at the time of the valuation it would be more efficient to move straight to the 2006 table values rather than have a short period using the 2005 values. This will reduce confusion in the market and will reduce any impact upon RPC transportation price controls.

New modification proposals have been raised to look at how the AQ review and resulting AQs should be dealt with regarding the frequency of altering the AQ table in the future. And we fully support such a review.

Yours sincerely

Francesca Dixon
Process and Performance Manager