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**IGT UNC Modification 005 – AQ Review Process
Requirement for iGTs to operate an AQ Review Process in line with that followed
under the UNC**

ScottishPower as Proposer of this Modification fully support its implementation. Our reasons for raising the Proposal and why we believe implementation will better facilitate the Relevant Objectives of the GT Licence are outlined below.

iGTs currently undertake the review of AQ values for both Larger and Smaller Supply Points in line with Section CI 6 of the iGT UNC. The Review process currently operated is limited in nature and does not replicate in its entirety the AQ Review procedure operated by Large Transporters under UNC. One of the key limitations of the current iGT AQ Review process is the inability of Shippers to use valid meter readings collected after 12th May, within the current Gas Year, within AQ challenges to the iGT provisional calculation. Historically iGTs did not have access to all the data components including the Weather Correction Factor to allow them to perform an accurate AQ calculation, hence the reason for the restriction. iGTs relied on xoserve providing annual downloads of data prior to the commencement of the AQ Review. This is no longer a restriction, with Load Profiles for each EUC being available and after the Day Weather Correction Factors readily available from the National Grid website. Indeed, the majority of iGTs now provide estimated opening Meter Readings where the new Supplier has failed to provide a valid Opening Meter Reading. For iGTs to produce and charge Suppliers for valid estimated Meter Readings they require to calculate the readings in line with the terms set out within the iGT UNC, Section E, Clause 6.8.

Section E Clause 6.8 states “In calculating such estimated Meter Reading the Pipeline Operator will apply methodology which is consistent with the methodology applied by the Large Transporter in equivalent circumstances in relation to the Large Transporter System, using data and calculations made available to the Pipeline Operator by the Large Transporter”. The UNC (PD Section H2.2.2) states that estimated reads will be calculated in accordance with $AQ/365 * ALP$ for the day.

While a limited AQ Review may have been acceptable when iGT portfolios were considered small in size with limited meter reading history available, this is no longer the

case with iGT connections now approaching 1m Supply Points. It was always envisaged that the iGT AQ Review process would develop as the number of connections increased. ScottishPower appreciate that iGTs have limited resources however we also believe iGTs lack appropriate incentives to undertake an efficient AQ Review.

Under Relative Price Control, one of the key components for setting iGT Transportation charges is that the AQ applied at the point of entry to RPC is fixed and is therefore not impacted by future movements in the AQ. However, the transportation revenue recovered by Large Transporters from Shippers at the CSEP will be influenced by the outputs from the iGT AQ Review. IGT charges will only be impacted should a change be agreed and thereafter implemented to the "CSEP AQ Table". These revised values will only apply to future iGT connections entering RPC and will have no influence on the level of income recovery associated with historic connections. ScottishPower has raised a Review Modification (iGTRP005) to develop a process and supporting business rules to amend the AQ Table.

In summary, iGT transportation recovery is not directly impacted by the quality of the performance of the AQ Review, however this is not the case for RbD Shippers/Suppliers who are exposed to energy misallocations should inaccurate AQ values exist. In addition the level of charge applied to Shippers at the CSEP by Large Transporters is calculated in accordance with the AQ value set at the CSEP.

Limitations of current iGT AQ Review Process

The current limitations have caused issues for both iGTs and Shippers. IGTs have reported limited participation by Shippers and problems with erroneously calculated AQ values breaching the maximum CSEP AQ value. When breaches occur to the maximum CSEP AQ, until the breach is resolved further AQ updates to xoserve will be blocked and will result in a misallocation of energy consumed at that particular CSEP being smeared across RbD Shippers. Indeed these impacts to settlements accuracy and network security are currently being discussed within the Review Groups set up under UNC Modification 157 and iGTRP002. The lack of Shipper activity within this iGT AQ Review could be explained by the fact that the management of the AQ Review has to be performed as a separate exercise outwith their core AQ processes.

The performance and management of the current iGT AQ Review is manually intensive for both iGTs and Shippers with data being provided on spreadsheet via email. The timetable and process outlined within the AQ Procedures Document are not adhered to and open to misinterpretation and this increases the uncertainty and workload placed on Shippers.

Facilitation of relevant objectives

ScottishPower believe implementation of that this proposal will better facilitate the Relevant Objectives (a), (b) and (d) of the GT Licence.

It is important that the Industry has confidence in the management and maintenance of AQ values, which fundamentally drives energy allocations across Shippers. As outlined above, iGTs and Shippers have expressed concerns regarding the current operation of the AQ Review. Previous attempts through Modification to align the iGT AQ Review process with that of Large Transporters has had limited success. With the number of connections to iGT networks steadily increasing it is no longer efficient or effective for iGT to continue operating an AQ Review process that adversely impacts the accuracy of settlements data and contributes to the misallocation of energy across Shippers. In addition continuing with the iGT AQ Review process as it currently operates may have an

adverse impact on Network Security, as offtake levels at the CSEP may not be accurately recorded.

iGTs should be mandated to follow the AQ Review process as set out within the UNC. We believe that this objective is achievable and should be operational in time for the performance of the AQ Review commencing April 2008.

Please do not hesitate to contact me should you wish to discuss this response further.

Yours sincerely

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