



National Grid Gas NTS, shippers / suppliers, NTS direct connects, the Agency, gas distribution network operators and other interested parties

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Your Ref:  
Our Ref: 45/08  
Direct Dial: 020 7901 7050  
Email: [steve.smith@ofgem.gov.uk](mailto:steve.smith@ofgem.gov.uk)

Date: 18 April 2008

## **Pro forma questionnaire on the cost impacts of enduring gas offtake reform and incentives**

### **Background**

On 10 July 2007, the Competition Commission (CC) allowed, in part, an appeal against the Authority's decision to implement Uniform Network Code (UNC) proposal 116V.

On 26 October 2007<sup>1</sup>, we issued an open letter to all interested parties to provide details of the Authority's approach on the scope of reconsideration of the modification proposals. For the purposes of re-considering the decision that was quashed by the CC, we consider that we are now once again in a position of being required to consider the modification report produced in relation to the five proposals submitted, namely: 0116V, 0116A, 0116BV, 0116CVV and 0116VD.

On 27 February 2008<sup>2</sup>, we issued an open letter to all interested parties concerning the next steps following the CC decision. This letter reaffirms the Authority's proposed scope of reconsideration of the various modification proposals and the Authority's planned timetable for undertaking this process and reaching a final decision on the various modifications. In relation to the work of the Review Group 166 we noted that on 25 February 2008 the UNC Panel issued for a 6 week consultation:

- Modification Proposal 0195: "Introduction of Enduring NTS Exit Capacity Arrangements" raised by RWE Trading GmbH, and
- Modification Proposal 0195A<sup>3</sup>: "Introduction of Enduring NTS Exit Capacity Arrangements", raised by E.ON UK

Provided that the relevant Final Modification Reports (FMRs) for these two proposals are submitted to us in April 2008 we will consider these proposals at the same time as the Final Modification Report produced in relation to the five UNC116 proposals. Consequently, in order to facilitate this process it seems appropriate to incorporate Modification Proposal 0195 and 0195AV within our cost pro forma questionnaire. If there are any material amendments between Modification Proposal 0195 and 0195AV, and any associated FMRs

<sup>1</sup> "UNC 0116: enduring offtake – next steps following the competition Commission's decision", 26 October 2007. Available at: [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>2</sup> "UNC 0116: enduring offtake – update on next steps following the competition Commission's decision", 27 February 2008. Available at: [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>3</sup> Modification Proposal 195A was varied (following consultation) with agreement from the UNC Modification Panel on 17 April 2008. To reflect this variation the proposal is now entitled Modification Proposal 0195AV "Introduction of Enduring NTS Exit Capacity Arrangements"

which are submitted in April 2008, then we may need to ask for additional information or revisions to data already submitted.

### **Pro forma questionnaire**

In assessing Modification Proposal 0116V and Alternative Modification Proposals 0116A, 0116BV, 0116CVV, 0116VD, 0195 and 0195AV we will need to consider the potential cost impact of these proposals. To this end, we have developed pro formas for both:

- Gas Transporters (GTs) and the Agency, and
- shippers and Transmission Connected Customers (TCCs)

We have therefore attached to this letter an outline of the two pro formas and a related guidance document which provides advice regarding the way in which the pro formas should be completed. In addition, to further assist in the completion of the pro formas, an assumptions document is also provided. This document sets out our initial high level view of the implications of the proposals for offtake arrangements for industry participants.

It is important to note that the documents referred to in this letter are provided on an informal basis and should not be treated as binding on the Authority. Nothing in the documentation is to be construed as granting any rights or imposing any obligations on the Authority, and the Authority's discretion in this matter will not be fettered by any statement made in this correspondence or the related documentation.

As part of the last cost proforma on enduring gas offtake reform, a number of respondents when pressed by Ofgem conceded that some of their cost estimates represented the 'worst case' scenario despite our request that cost estimates should represent the most likely outcome (i.e. base case/ median estimates). As a result Ofgem will be carefully scrutinising the information supplied to it, and if we believe that individual respondents have overstated their cost submissions then Ofgem may formally request this information again, under the relevant licence condition and this carries serious consequences if any respondent is found to have provided false or mis-leading information.

We would be grateful if you could return your response to the attached pro formas by close of business on 12 May 2008 to the following email address:  
[GasTransmission@ofgem.gov.uk](mailto:GasTransmission@ofgem.gov.uk) Please be assured that all responses will be treated as confidential.

If you have any questions regarding this request please contact Nienke Hendriks on 020 7901 7329 or Paul O'Donovan on 020 7901 7414.

Yours sincerely



**Steve Smith**  
**Managing Director, Networks**