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**Modification Proposals 0054 & 0054a - Emergency Curtailment Quantity (ECQ) Methodology Statement**

Dear Julian,

RWE npower welcomes the proposal by National Grid NTS to incorporate the ECQ Methodology Statement, developed in support of implementation of modification proposal 0044, as a UNC ancillary document.

However we firmly believe that the alternative proposal raised by E.ON to incorporate the ECQ Methodology into the UNC is preferable, as this better facilitates the relevant objections.

The current ECQ Methodology Statement identifies four common methods by which transporters may estimate a user's ECQ Quantity based on information available to them at the time. However, whilst the methodologies may be common there is nothing currently stopping different transporters using different methodologies to calculate ECQ on their network, and this situation could persist should modification proposal 0054 be implemented.

In our opinion this could lead to increased costs to users as a result of having to develop different and more complex systems to anticipate and verify their aggregate ECQ across networks. Also if transporters use different methodologies to calculate ECQ on their network this may lead to significantly different ECQ quantities being calculated for sites with similar characteristics. Bearing in mind the potential financial impact that this could cause, users could end up being materially discriminated against based on their throughput on particular networks.

Whilst the appeals process allows users to challenge transporters if their chosen ECQ Methodology produces an ECQ which does not reflect a user's view of what it should be, market efficiency will not be promoted by having to rely on this process. Nor is it unrealistic to think that as a consequence of ECQs being inaccurately estimated and exposure to SMP cash-out, smaller users may fail before the point where they can seek redress from the appeal process.

Introducing a common methodology into the UNC based on an assumption that the ECQ will be calculated as accurately as possible using data provided by users (rather than data which transporters currently have access to), as proposed in modification proposal 0054a, will remove a lot of the uncertainty that currently exists surrounding how transporters will interpret and calculate ECQ. This will give users greater

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confidence of their imbalance position during emergency curtailment periods and allow them to react appropriately to the heightened incentives created following implementation of modification proposal 0044. As the principal reason for implementing modification proposal 0044 was to enhance the efficient and economic operation of the pipeline system, it would be disappointing if this was undermined by continuing user uncertainty surrounding the magnitude and accuracy of the ECQ calculation.

Without the assurance derived from having a common methodology subject to proper UNC governance and which has as its basis the calculation of ECQ as accurately as possible based on information they have provided have provided to transporters, users will always feel exposed to some level of unquantifiable risk. Bearing in mind the market circumstances prevailing at the time this risk could well be material and unmanageable which does nothing to encourage new market entrants and may in the longer term be a contributing factor towards further market concentration.

Yours sincerely,

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**sent by e-mail so not signed**