



Tim Davis  
Joint Office of Gas Transporters  
First Floor South  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT

**E.ON UK plc**  
Newstead Court  
Sherwood Park  
Little Oak Drive  
Annesley  
Nottinghamshire  
NG15 0DR

[www.eon-uk.com](http://www.eon-uk.com)

Please respond to:  
Brian Durber  
Tel: 01538 386923  
Mob: 07768 031942

6 February 2009

[Brian.durber@eonenergy.com](mailto:Brian.durber@eonenergy.com)

Dear Tim

## **Response to UNC Modification Proposals 0228 and 0228A Correct Apportionment of NDM Error – Energy**

In our response to Proposals 0194 and 0194A we welcomed the initiatives proffered as a route to removing the anomaly that currently exists whereby all gas that is un-measured at the supply point is allocated to the Small Supply Point market via RbD.

In our response we drew attention to the fact that a regime, which extended the uncertainties of the RbD mechanism to the industrial and commercial market, would be likely to increase the risk placed on that market sector. This in turn would ultimately lead to cost increase for I&C customers. Therefore our preference was for Proposal 0194A which allocated energy to the LSP market on an annual fixed basis.

Proposals 0194 and 0194A introduced the concept of an 'Allocation Table' the intent being that the table would ultimately be populated by RbD LSP/SSP proportions in the case of 0194 and by amounts to be determined, on a fixed annual basis by subsequent modification proposals in the case of 0194A. Initially both would replicate the current situation whereby all un-accounted for gas is allocated to the SSP market.

Proposal 0228 builds on 0194 in that it introduces a formula to determine the amount of energy reconciled via the RbD process that is 'genuine'. The

methodology utilises changes, year on year of reconciled energy between LSP and SSP sectors. The remaining energy reconciled via RbD is un-accounted for energy. We agree that this approach forms a reasonable basis on which to determine the true amount of un-accounted for energy in that it compares changing AQ's in the LSP market, which by definition represents genuine reconciliation. The only caveat being that the methodology is dependent on the integrity and accuracy of the AQ Review process.

Proposal 0228A also incorporates this methodology for determining 'genuine reconciliation' and therefore un-accounted for gas. The amount of un-accounted for gas will therefore vary year on year dependent on total AQ and genuine reconciled AQ.

Both Proposals then utilise outputs from Development Group 0194 to apportion the un-accounted for elements by market sector, for example un-registered sites, un-confirmed site works, theft and meter bypasses,.

The Proposals then differ in that 0228 applies the RbD apportionment to the Allocation Table, whereas 0228A adopts the fixed annual amount principle. For the reasons given above and in our consultation response to 0194 and 0194A we support the principle of fixed annual amounts prescribed in Proposal 0228A.

We note that rather than being simply an extension to 0194A, Proposal 0228A incorporates the methodology of determining 'genuine reconciliation' and populates the Allocation Table from day one. This in our view provides a comprehensive solution, enabling, appropriate allocation of un-accounted for energy to both Large and Small Supply Point markets on an equitable basis and fixed for the year thus removing risk from the I&C sector.

Therefore we support Proposal 0228A but do not support 0228.

Yours sincerely

Brian Durber (by email)  
Retail Regulation