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Mod 094: Reconciliation following AQ Amendment, SSP becoming LSP with change of <20% or 15,000kWh.

Mod 095: Reconciliation following AQ Amendment, SSP becoming LSP following change of Registered User.

Mod 096: Reconciliation following AQ Amendment, SSP becoming LSP following inter process amendment of AQ.

Dear Julian,

On behalf of RWE npower, I would like to thank you for the opportunity to respond on Modification Proposals 0094, 0095 and 0096. I propose to respond to all three mods in this one letter. Whilst we have some sympathy for principle of the mods we are not able to support their implementation as we believe that this will introduce a very large increase in operational activity for Transporters and Users alike, as well as potentially exposing Users to costs for which they might not be responsible.

Firstly, Modification 0094 seeks to remove the clause contained at 7.4.3 (a) and would therefore allow the reconciliation of all Larger Supply Points (LSPs) which were previously Smaller Supply Points (SSPs) prior to the AQ revision, regardless of the scale of change of the AQ.

By removing the clause contained at Section E, paragraph 7.4.3 (a) of the UNC, the following detrimental issues may arise and therefore make the application of Mod 640 impractical:

- The basic premise of RbD is that meter points below the threshold do not have their consumption reconciled against a meter read. Thus a meter point with an AQ of 1 KWh which would change to 70,000 KWh (and vice versa) based does not have the consumption reconciled. However if this amendment is approved then a meter point with an AQ of 72,000 KWh which rises to 73,000 KWh would. This does not seem to be in the interests of natural justice.
- We believe that the current process is the most efficient in terms of data processed and costs recovered. The removal of clause would cause a considerable amount of extra administrative work for both xoserve and the Users for very little additional benefit.

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- Cost associated to AQ charges less than the 15,000 kWh and 20% would be unjustifiable against the volume of work to be engaged by both Shippers and xoserve.
- The situation could arise where a customer is very close to the Threshold and as a result of meter reads is frequently moved back and forth between SSP and LSP portfolios. If this were to happen where the Supplier operates different shippers to manage different portfolios then the Shipper and Customer could be inconvenienced by a considerable administrative burden for no real benefit.

Secondly, Modification Proposal 0095 seeks to remove the clause at 7.4.3 (b) and would therefore allow the reconciliation of all Larger Supply Points (LSPs) which were previously Smaller Supply Points (SSPs) prior to the AQ revision, regardless of the fact that there has been a change in the Registered User for that Supply Point since that last revision to the AQ.

By removing the clause contained at Section E paragraph 7.4.3 (b) of the UNC, the following detrimental issues may arise and therefore make the application of Mod 640 impractical:

- Unless an actual meter read is obtained at the time of change of User it is not possible to allocate the energy accurately. The process of allocating costs on an arbitrary basis could result in the outgoing Shipper quite reasonably raising an invoice objection on the grounds that the Transporter has no evidence that the end customer actually consumed the gas whilst it was the Shipper.
- In order to accommodate this change then if the incoming shipper obtains a meter read after an estimated opening read I believe that the estimated opening read would need to be amended. However, under the current rules this is not possible. This would result in significant costs to the Transporters.
- In a situation where the new supplier has obtained a meter read and subsequently the AQ has been classed as a threshold crosser, the removal of this clause would mean that that the old shipper would incur costs. It is possible that there could be considerable difficulty for the old supplier to recover any debt after the issuance of a final invoice to its customer.
- It is possible that a series of Shipper / Suppliers might have been appointed between actual meter reads so that it may not be possible to identify when the change in consumption began. Please see the attached timeline which makes this clearer (Appendix A).

Lastly, Modification Proposal 0096 seeks to remove the clause contained at 7.4.3 (c) and would therefore allow the reconciliation of all Larger Supply Points (LSPs) which were previously Smaller Supply Points (SSPs) prior to the AQ revision, regardless of the fact that an amendment of the AQ may have taken place since the previous annual process.

Modification Proposal 0089 is seeking to provide clarity on the timescales required to include shipper AQ revisions to be accepted up to 30 business days (six business) weeks after the initiation of the Provisional AQ calculations and also to incorporate in the UNC a requirement on xoserve to inform shippers of Provisional AQ calculation start date which would help to clarify current obligations of Users.

By removing the clause contained at Section E, paragraph 7.4.3 (c) of the UNC, Modification Proposal 0089 would be rendered obsolete thereby denying Users the opportunity to make necessary adjustments to the initial AQ calculations and also provide continuing doubt over the deadline by which Shippers are required to submit AQ revisions with sub-optimal AQ revisions as a consequence.

Whilst we understand the logic behind these Modification Proposals, if implemented may lead to a significant increase in individual reconciliations of supply points that are re-classed as a threshold crosser and also increase costs with little benefits to Users. They may also create unforeseen precedents, which have not been considered.

For the reasons given above RWE Npower does not support modification proposals 0094, 0095 and 0096. Should you like to discuss any of the issues raised above please do not hesitate to contact me.

Yours sincerely,

Simon Howe.
Gas Network Codes Manager