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Re: Proposed UNC Modifications 0194: “Framework for Correct Apportionment of NDM Error” & 0194A: “Framework for Correct Apportionment of LSP Unidentified Gas”

Dear Tim,

RWE Npower supports both UNC Modification Proposal 0194 and the alternate, UNC Modification Proposal 0194A. However, if asked to choose between the two, we would have a slight preference for UNC Modification Proposal 0194A.

It has long been a matter of some contention, which is also supported by anecdotal evidence, that LSP NDM sites contribute to the total amount of unallocated gas while the bill is picked up by RbD Shippers engaged in the SSP sector.

Although the level of this contribution is unknown it is not the purpose of either of these Modification Proposals to establish that level. Instead, both aim to introduce a framework into UNC Section E whereby the level of this contribution can be captured once established at a later date. Both Modification Proposals suggest that, at least to start with, the current one hundred percent liability to RbD Shippers in the SSP sector be retained.

However, the two proposed UNC Modification Proposals differ as to the manner in which such contribution would be calculated and this is an aspect to which I now intend to give some consideration.

British Gas' Proposed UNC Modification 0194 suggests that the RbD process be amended to include the LSP sector. However, as Corona point out in their Proposed UNC Modification 0194A, any extension of the RbD mechanism to the LSP sector would be likely to create a cross subsidy between the two sectors and we agree with their view that it is illogical to assume that unallocated gas errors in the LSP sector vary in line with RbD variance. It would also be illogical for the LSP sector to potentially receive a financial credit for the level of unallocated gas in that sector through RbD should a credit for additional energy be made to LSP Shippers.

Instead, Corona propose that the methodology aimed at assigning a proportion of unallocated gas contribution to the LSP sector should be based on the methodology currently used for shrinkage, i.e. a fixed volume. This agrees with Ofgem's comments in the recent GDPCR that, *“The evidence available shows that there is little correlation between shrinkage and throughput for the existing networks”*.

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In addition, this proposed methodology enables the LSP sector to contribute to the cost of unallocated gas without taking on an increased level of risk through exposure to fluctuating RbD contributions as would be the case under Proposed UNC Modification 0194.

In summation, we support both Proposed UNC Modifications as an encouraging first step towards correcting a long standing anomaly but have a slight preference for Proposed UNC Modification 0194A for the reasons stated above.

If you wish to discuss any points raised in this response further, please do not hesitate to contact me.

Regards,

Chris Hill

Gas Codes Analyst