Joint Office of Gas Transporters

Representation

Draft Modification Report

0333/0333A - Update of the default System Marginal Buy Price and System Marginal Sell Price

Consultation close out date: 11 February 2011

Organisation: **RWE Npower plc**

RWE Supply & Trading GmbH

Representative: Charles Ruffell

Date of Representation: 10 February 2011

Do you support or oppose implementation?

0333: Not in Support

0333A: Not in Support

If either 0333 or 0333A were to be implemented, which would be your preference?

Prefer 0333A

Please summarise (in one paragraph) the key reason(s) for your support/opposition and preference.

The current default values provide reasonably strong incentives to balance as evidenced in the declining volumes of shipper cash-out volumes, although it is difficult to quantify cause and effect. Absent this quantification, it is hard to determine the effect on balancing that changing the default levels would achieve and, in our view, makes any change harder to justify. We are not convinced that the new methodology is robust or whether a calculation based upon an arbitrary definition of relevant TO/SO costs creates a better proxy for setting default cash-out prices than the current methodology. For instance, the methodology includes a mix of long-run (TO investment) and short-run (SO operational) costs which seems inconsistent. The only benefit of 0333A over 0333 is that it is based on a more equitable sharing of implementation costs. However, we believe that the implementation costs will be greater than any efficiency gains.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

None.

Relevant Objectives:

How would implementation of either modification impact the relevant objectives?

A11.1(c)

Implementation would allow NG NTS to demonstrate that it had complied with SSLC 27.

A11.1(d)

We think that any impact here is marginal at best. We have already set out concerns with the methodology itself and note that when balancing, a shipper will be interested in the absolute level of the default cash-out rather than its derivation.

Impacts and Costs:

What analysis, development and ongoing costs would you face if either modification were implemented?

There would be no operational impact and minimal system impacts if one set of defaults were replaced with another, albeit on an annual basis.

Implementation:

What lead-time would you wish to see prior to either modification being implemented, and why?

We do not think that either should be implemented.

Legal Text:

Are you satisfied that the legal text will deliver the intent of each modification?

NB: while formal legal text has not been provided, Suggested Text has been included in the modifications and comments on this will be helpful when the text is finalised.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No additional comments.