

John Bradley
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

Alison Chamberlain
Distribution Customer Services
Alison.chamberlain@uk.ngrid.com
Direct tel +44 (0)1926 65 3994

www.nationalgrid.com

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Your Reference: Offtake Arrangements Workstream

Re: Orifice Plate Mis-Measurement.

Dear Colleague,

As you may already be aware a Preliminary Significant Meter Error Report has been posted on the Joint Office Website <http://www.gasgovernance.co.uk/MER>. This report deals with an assessment of error due to orifice diameter mis-measurement. This note has been produced as an update to some of the actions on NGD, resulting from the Offtake Arrangements Technical Workstream held on 9th February 2010.

Action Ref: OF1050 – A rationale of the invoicing process and impacts in relation to MEs to be issued as soon as possible.

In response to this action, which was originally raised at the October 2009 meeting, NGD posted a note on the Joint Office Website. It has since come to our attention that the existence of this note was not particularly visible. It has been re-posted with the details of the next Offtake Arrangements Workstream (24th March, 2010). It reads as follows:

During the Offtake Arrangements Workstream on the 16th October 2009, National Grid Distribution was asked to provide an assessment of the of scale of LDZ Charges and impacts resulting from the Measurement Error Notification raised by National Grid on the 11th September 2009.

The quantification of the error potentially has yet to be substantiated through the Measurement Error Notification process. Accordingly, this note provides an estimate of the additional LDZ Charges only and is based on the potential error of 586GWh over 34 Offtake meters.

LDZ Charges have been estimated using a flow weighted allocation of energy from each Offtake meter consistent with the time period each meter was potentially underrecording. The LDZ Commodity unit rates were based on the 0-73,200kWh/a charge band applicable during the time we have allocated the energy to each network. There is no impact on Capacity charges.

Based on these assumptions we estimate the additional LDZ Charges to be in the order of £860k across all 34 Offtake meters.

National Grid Transmission also posted a cash flows diagram which is included with the details of the meeting on 9th February 2010.

<http://www.gasgovernance.co.uk/sites/default/files/2010%20Orifice%20plate%20meter%20error%20resolution%20%20cash%20flows%20v3.ppt>

Action Ref: OF0202 - National Grid to seek an interpretation of the UNC (TPD Section E7.8 – qualify LDZ reconciliation) in relation to treatment of the errors (historic or current AQ split); Shippers also to consider and offer views.

NGD believes that for the purposes of determining the relevant adjustments to be made as a result of the error, the UNC does not prevent aggregation of two or more quantities (meter errors) within an LDZ but does not facilitate aggregation across LDZs (E7.6 & E7.8). Therefore, we anticipate (based on initial estimates provided when these errors were first posted on the Joint Office Website and the subsequent information provided by the Independent Expert) that the errors pertaining to one, or probably two, of the LDZs may be invoiced using the market shares at the time of invoicing and those pertaining to the remainder would be invoiced using Modification 0171 methodology (historical shares over the period of the error) in line with E7.8.

Action Ref: OF0203 – National Grid UKD to produce an indicative timeline for billing etc.

For invoicing purposes, the quantities to be billed in line with the Modification 0171 methodology, is required by xoserve by the last working day of the month and for the normal reconciliation process, the information is required by the 7th working day of the month. The quantities for those meter errors adjusted over the 50GWh threshold would be raised on an ad hoc invoice and those quantities under 50GWhs would be raised on the reconciliation invoice. Where both sets of data are received by xoserve within the timescales, the Ad Hoc invoice will be issued in line with the Reconciliation Invoice schedule.

At this stage we are still unable to determine exactly when these errors will be ready for invoicing but will update you with information as soon as it becomes available.

Please note UKD intends to request that a vote be taken at the next meeting to facilitate dealing with the all meters affected by this error, as one SMER, to be produced by the nominated expert. This will not impact what has been explained above in relation to our billing intentions.

Yours sincerely,

Alison Chamberlain
National Grid Distribution