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Re: Modification Proposal 0136: Reconciliation Following AQ Amendment where an SSP becomes an LSP prior to calculation of Provisional Annual Quantity

Dear Julian,

RWE npower is unable to support the implementation of the proposed modification. The current arrangement is that, in the case of a Small Supply Point site crossing the 73.2 MWh AQ threshold for Large Supply Point sites during the gas year, Shippers submitting an AQ revision for such a site prior to the Provisional AQ calculation being carried out by the DN receive a one hundred percent discount to the User Annual Quantity Revision Difference Transportation Charge Adjustment ("revision charge").

This arrangement was intended to incentivise shippers to proactively monitor sites crossing the threshold between SSPs and LSPs, thus ensuring that costs were allocated to the LSP in question rather than the RbD sector.

The above modification, as proposed by BGT, suggests that, in the case of the Modification being passed, Shippers submitting the above mentioned AQ revision prior to the Provisional AQ calculation would receive only a ten per cent discount on the revision charge. It could be argued that the move from a one hundred percent discount to a ten percent discount represents a huge dilution of the incentive as it stands at the moment.

It is likely that this reduced financial incentive, coupled with the large amount of work involved in reconciling such threshold crossing supply points, will result in a lessened likelihood that Shippers will proactively monitor supply points crossing the SSP / LSP threshold. Indeed, there would be a financial benefit to not submitting a revision and waiting for the end of year Reconciliation to take place. In the meantime, the RbD sector will effectively be subsidising LSPs that have recently crossed the threshold.

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

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