Tim Davis
Joint Office of Gas Transporters
31 Homer Road,
Solihull,
B91 3LT

Name Jennifer Higgins
Phone 0121 336 5248
E-Mail jenny.higgins@npower.com

By email: enquiries@gasgovernance.com

16th February 2010

DNPC06- Proposals for LDZ Charges to Recover NTS Exit Capacity Costs

Dear Tim,

RWE npower welcomes the opportunity to respond to the above consultation and does so on behalf of all its licensed gas businesses. Would you please ensure that our response is forwarded to the relevant persons at each of the Distribution Networks (DNs).

Question 1
Should LDZ NEC Charges be based on a flat rate pence per peak day kWh per day rate in the same way as the NTS Exit Capacity charges are now?
We agree with DNs that a flat rate pence per kWh/day rate is the most appropriate way for them to recover the NTS Exit (Flat) Capacity costs they will pay to NG NTS in the enduring exit regime. This approach ensures identical structures are used and so avoids the risk of under/over recovery or cross subsidy.

Question 2
Should LDZ NEC Charges be applied by Network or by Exit Zone as discussed in Section 4?
We believe that LDZ Exit Capacity charges should be applied by Exit Zone thus replicating the current arrangements. Applying such charges by Network, whilst appearing to be relatively straightforward and resulting in LDZ Exit Capacity charges which are less volatile, would significantly reduce cost reflectivity and lead to cross subsidies between different consumers within a network.

Question 3
Should the misalignment of NTS and DN dates for changing charges be addressed by the DNs seeking to change the LDZ Exit Capacity Charges in October or should no change be sought until the industry has some experience of the operation of the new regime.
Whilst we accept that there will be a misalignment of NTS and DN dates for changing capacity charges we do not think DNs will be unduly impacted by this. A DN's holdings of NTS Exit (Flat) Capacity at each Offtake Point is likely to be booked, or known about, well in advance of each formula year and the NTS pricing model is likely to provide them with a reasonably predictable view of what such capacity will cost. On this basis DNs should be in a position to set LDZ Exit Capacity charges in April each year that largely recover the costs they will end up paying NG NTS. To the extent any material under/over recovery becomes apparent during the first half of the formula year; DNs already have the ability to change charges from October following notification to Ofgem.

RWE npower

Trigonos
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782

Whilst we see this being used more as an exception than as a rule we consider it preferable to DNs pursuing charging methodology changes that would require them to revise LDZ Exit Capacity charges bi-annually, or annually from October.

Question 4
Should we introduce a separate "K" for the LDZ Exit charges, for the purposes of setting the level of the charges?
We believe there is merit in considering a separate "k" for LDZ Exit charges such that any under/over recovery in LDZ Capacity charges feeds in to the calculation of such charges for the following formula year. This will ensure that any under/over recovery is recovered, or paid back, to DN shippers broadly in the same proportions in which it arose.

Should any of the DNs representatives wish to discuss our response in more detail they should not hesitate to contact me.

Yours faithfully,

Jennifer Higgins*
Network Charging

* sent by e-mail therefore unsigned