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Mod 0018 Transition arrangements for the review and calculation of Annual Quantities for Gas years 2005/6, 2006/7, 2007/8 and 2008/9

Dear Julian,

Thank you for the opportunity to respond on Mod 0018 granted Urgent status by Ofgem. There are a number of aspects of this mod with which I have considerable concerns.

Whilst it is correct that the DESC identified that the cut off date of 30th Sep 2002 would have to be applied to this AQ Review, this information was contained in a short paragraph towards the end of a paper produced by the Demand Estimation Sub Committee on 12th Nov 2004 entitled "Technical basis for AQ Review 2005". This paragraph stated "The small numbers of meter points for which the relevant metered period extends further back (i.e. before 01/10/2002) can be dealt with by the approach set out for those meter points for which a RMQ is not available." What is not clear from this report is why this date has been determined.

The report of the Extraordinary AQ Sub Group Meeting April 2005 identifies that it is anticipated that approx 4.9 million AQs will not be recalculated as a result of the cut off date. This is a little less than 25% of the market. 4.9 million is not a small number! There is no mention of this in the mod proposal 739; though there is mention that approx 3 million cannot be recalculated due to lack of read information. What is not made clear is does the 4.9 million mentioned above include the 3 million or is this an additional number making an approx total of nearly 8 million meter points that will not have their AQs properly recalculated. An estimation of the number of AQs that will not be recalculated should have been included in Mod Proposal 0014, so that Shippers can make informed responses to the Mod.

Mod 739 was and is a mod whose principal I support. I recognise that the introduction of new WAALPs will improve the quality of demand management for both Transporters and Shippers. However, I do not understand why the issue of the 30 Sept 02 cut off was not raised in the draft mod report dated 10 Feb 2002. I have to accept some responsibility that I did not read through all old industry documents looking to see if there was anything that might have a bearing upon the AQ Review process. Nevertheless, I believe that Transco has a greater duty, especially as in the draft Mod report section 4 Transco stated that no implications had been identified upon the

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operation of the system. Additionally, I fail to understand why it wasn't until 11th April extraordinary meeting that this situation was made more widely known.

I am sympathetic to the problem of the volume of data processing that this year's AQ Review will require. In principal I have no objection to the change in the timetable as proposed in this Mod 0018. That notwithstanding, I do have concerns about the handling of this change. In the report of the Extraordinary AQ Sub Group Meeting April 2005 it is reported that Mod 739 is in the process of being implemented. Perhaps this is unfortunate wording, as of today Ofgem has not publicly ruled on this Mod Proposal. The extraordinary meeting took place on the 11th April but it was very nearly a month before a Mod was raised. I have no objection to the granting of its urgency status, as there is an obvious time constraint. The issuance of an earlier proposal might have allowed wider debate and therefore greater understanding of the technical issues that will impact this and future years AQ Reviews. Indeed, it might prove to be useful to review the whole exercise after the event to consider ways of preventing similar situations in the future.

As stated above I have no objection to a one-off change in dates for this year's AQ Review. However, I am unable to support the cut off date of 30th Sep 02 without a clearer understanding of why this is necessary or the implications of its implementation. This may appear to be cutting off my nose to spite my face in that it is important that this years AQ Review proceeds in an orderly manner; but to ask for support for a change without all the facts being presented, is something to which I cannot acquiesce.

I would be happy to discuss any of the issues raised with you.

Yours sincerely,

Simon Howe.
Gas Network Codes Manager