

Representation For. 0042
"Revision of the Emergency Cash-out Price"
Version 2.0

Date of Communication: 23/08/2005
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Slant: Against
Strictly Confidential: No
Abstract

RWE Npower welcomes the opportunity to comment on the above urgent modification proposals.

Modification proposal 0044 has been raised following the rejection of modification proposal 0021. Whilst there were details of this modification proposal which we did support, we could not support it as a whole because there were aspects of it which remained unclear and were not properly understood. In our opinion modification proposal 0044 now addresses most of the concerns raised by ourselves and other shippers in their responses to it and we therefore give it our qualified support.

However, we still believe that short period of time allowed for developing the proposal and responding to it is less than ideal. Whilst we would not dispute the need to ensure this issue is addressed in a timely manner prior to the forthcoming winter in our opinion further time could have been allowed for development and consultation without compromising this.

We note that Transco are proposing that a single marginal action could set the emergency price. However, this is in the context of a statement that, in taking balancing actions, Transco will assess the economics and efficiencies of a particular offer and will consider "whether the quantity of that action will have a discernible positive impact on the supply/demand position". Furthermore, Transco indicate that "a small quantity, high price action may well not be taken, as it would not aid in the overall supply/demand balance position". We believe that this is an important statement of policy and should be recognised in the Transco procurement guidelines and their System Management Principles Statement, particularly as Transco have previously stated that they would be minded to take all operationally suitable offers irrespective of price. Subject to incorporation of this policy statement in the relevant statement, we would support the principle that a single economic and efficient marginal action is allowed to set the cash out price in a gas emergency.

We welcome the clarification that trade nominations at all stages of a Network Gas Supply emergency will be accepted and that UNC TPD Section C5 will continue to apply. We also welcome the clarification regarding the calculation of the emergency curtailment quantity title trade and associated trade payment and agree that the arrangements should apply on a non-discriminatory basis to all System Exit Points other than those which comprise NDM Supply Meter Points and Priority Supply Points.

However, we continue to believe that the ECQ calculation methodology should be included in the Uniform Network Code and subject to the associated governance and still do not understand how this will be applied at sites for which no within day load information is available. Given the

clear views on this matter from the Authority we do not understand the Transco conclusion that this is a "medium term issue". In particular, we are concerned that

that the Transco proposal to develop an "optimal way forward" reflects the fact that Transco has not sufficiently developed a robust methodology for the calculation of the ECQ, and that other transporters have not yet properly considered this. Subject to the Authority's decision on UNC0044, we believe that Transco should commit to raising a non-urgent modification as soon as practicable to address this shortcoming.

The inclusion of a claims process that enables shippers to dispute the volume calculated through the ECQ methodology provides shippers with a reasonable degree of protection against inaccurate ECQ Trades being attributed to them. We are concerned however that where the dispute relates to the calculation methodology that the claims reviewer will be unable to determine the basis of such a claim if the ECQ methodology sits outside the UNC.

Whilst we still have some residual concerns that using a marginal price for cashing out negative imbalances may expose shippers to unmanageable risks in the event an emergency develops rapidly on balance we believe this is preferable to using the current 30 day average SAP or SAP, as it will strengthen the incentive for shippers to balance and offer demand side response. To this extent we do not support modification proposal 0042,

although we believe that further consideration should be given to this issue at the CORWG or at the Transmission workstream.

Regards,

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