

## **Representation For. 0073**

"Revision to the Notice Period regarding the implementation of changes to Transportation Charges"  
Version 1.0

**Date of Communication:** 06/03/2006  
**External Contact:** Simon Howe (R W E Npower Plc)  
**Slant:** Against  
**Strictly Confidential:** No

### **Abstract**

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### **Mod 0073**

#### **Revision to the Notice Period regarding the implementation of changes to Transportation Charges**

Dear Julian,

Thank you for the opportunity to respond to the above Mod proposal, which we have considered very carefully. Although at first sight this mod might seem to be of benefit to Shippers and Suppliers we believe that actually it has the potential to be counterproductive to long term stability of prices and therefore we do not support the implementation of this mod.

The current arrangements are that the Transporters are under Licence condition 4 to give a 'reasonable estimate of the effect of the proposals (if implemented) on those charges, and shall

use all reasonable endeavours to do so at least 150 days before the proposed date of their implementation'.

Last summer the changes proposed at the 150 day point were significantly different to the final outcome, and we believe that the industry was surprised by the extent of the difference. If the October prices had been based on the indicative view in April it is likely that there would have been a significant amount of over and/or under recovery across the networks by the time the next price change was due. Such volatility is likely to increase the further out in time that the price change is determined. We believe that customers would prefer to have a series of more certain price changes than wildly fluctuating charges from year to year. The proposal to change the notice period of changes from 2 months to 4 months would in our opinion increase the likelihood of larger than necessary over or under recovery.

The current debate about the cost reflectivity of the Commodity and Capacity charges has highlighted the fact that a move to increase the percentage of the Capacity charge will reduce the uncertainty about recovered revenue. As this debate has not yet reached a conclusion it seems inappropriate to introduce a change to the current arrangements at this time.

This winter we have experienced unprecedented changes in the cost of gas, which dwarf any changes between predicted and actual changes to transportation charges. This has caused many problems to Suppliers as evidenced by the number of small participants exiting the market this winter.

It is for the above mentioned reasons that we do not support this proposal. I would be happy to discuss any of the issues raised with you.

Yours sincerely,  
Simon Howe.  
Gas Network Codes Manager