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9<sup>th</sup> November 2006

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### **Urgent Mod 0117 “Amendment to Invoice Billing Period”**

Dear Julian,

On behalf of the RWE npower group of companies I would like to thank for the opportunity to respond to the above Consultation.

The events which led to this particular Mod to have to be raised have debated in considerable detail in open forum and at private meetings between the Transporters and Shippers. I do not propose to comment at length on those events except to say that the initial cause of the problem was as a result of a fundamental error by the Transporter (or their agents) in the calibration of the meter at the Farningham Offtake. Unfortunately the processes employed by the Transporter in their annual checks were such that this incorrect calibration was allowed to continue for a number of years. The consequence of this mistake is that 2.4TWh of gas has not been accounted for through Transportation charges. That the time of the meter error spans two Price Control periods, adds to the complication.

One particularly puzzling aspect of this situation is that the Transporter must have had an expectation of the amount of Shrinkage it would have expected to have incurred, but no evidence has been presented that they were actively looking to understand why the Shrinkage in this area was greater than expected. It seems that only as a result of the discovery of the mistake by the incoming new Distribution Network Owner (or their agents) that the Shrinkage Provider has become interested.

We believe that the crux of the matter is Shippers require certainty that the volume of energy upon which Energy and Transportation charges are levied is stable. We recognise that there will be adjustments through the RbD process. A significant majority of the adjustment takes place within three months and virtually all the adjustments take place within 2 years of the initial allocation. Shippers can allow for these to a certain extent in their planning, but large adjustments coming out of the blue cause problems for senior management with respect to audit and other regulatory requirements.

As the UNC is currently framed there is no limitation on the time that Transporters can raise adjustments such as this. Although unlikely it is possible in a number of years

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time a similar situation might arise with a start date in 1998. The consequence would mean that charges could be levied over a period greater than 10 years. Such a situation would be intolerable. Shippers need to have certainty in the charges being levied upon them and the industry as a whole needs to have confidence that the Transporters are managing the Gas Network in a competent manner. It is clear that some form of time limitation is required.

It would have been preferable to consider Mods 122 along side Mod 117, unfortunately this not possible and so we have to consider Mod 117 in isolation.

The proposal 117 has been raised in response to the specific events surrounding the Farningham Offtake Meter error, and in essence seeks to put a limitation of 26 months on the period of adjustment. The basis of opting for this period is that it will bring Transporters invoicing processes into line with those in the Supply business. It is clear that this adjustment is a direct result of a basic and uncorrected error by Transporters. Therefore it is only fair that the cost should be shared between Shippers and Transporters rather than just on Shippers. This will act as an incentive on Transporters to ensure the Offtake volumes are correct,

We welcome the clarification that the proposal should not impact the normal invoice query process. The reconciliation of deemed energy following a meter read only adjusts the distribution of the Energy and Transportation charges amongst Shippers and does not impact the total energy consumption within an LDZ.

We believe that there should not be any time limitation upon User Suppressed Reconciliations as this does affect the total energy content but only the apportionment amongst Shippers of the charges. Creating a time limitation might encourage selective non resolution of User Suppressed Reconciliations by allowing them to "time out" to the detriment of the RbD community.

We have concerns that the speed of the process for Urgent Mods may mean that there will be unforeseen consequences and we would have been more confident of being able to test the proposed change if legal text had been included. As a matter of principal we would always wish to scrutinise any legal text before responding to a Mod.

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

Yours sincerely,

Simon Howe.  
Gas Network Codes Manager