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### **Urgent Mod 0122 “Restriction of invoice billing period to Price Control”**

Dear Julian,

On behalf of the RWE npower group of companies I would like to thank you for the opportunity to respond to the above Mod Proposal. We support the implementation of this proposal as we believe it offers a fair and equitable solution to this particular problem. We also support the establishment of a Review Group to consider how similar problems may be resolved in the future.

The events which led to this particular Mod have been 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 about the volume of energy upon which Energy and Transportation charges are levied. 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 in their planning, but large adjustments coming out of the blue cause problems for senior management with respect to audit and other regulatory requirements.

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

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 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 unacceptable. 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.

This proposal 122 has been raised in response to the specific events surrounding the Farningham Offtake Meter error, and in essence seeks to put a limitation on the period for which demands for payment for changes to the total energy and transportation charges can be made. The choice of 1 April 2002 is a reasonable one on two counts. Firstly, it coincides with the start of the current price control period, and secondly it is not too long a period over which charges can be adjusted. However it is clear that in due course this date would have to be revised and we welcome the intention to set up a Review Group to consider this matter further.

We believe that the proposal should not affect the normal reconciliation of deemed energy following a meter read, which then adjusts the distribution of the Energy and Transportation charges amongst Shippers and does not impact the total energy consumption within an LDZ. Information about the amount unreconciled energy and transportation charges was circulated after the last Billing Ops Forum which demonstrates that there is still a small amount of the energy outstanding. Some of this energy dates back a number of years hence the reason for not putting a limitation on this type of reconciliation.

We also believe that there should not be any time limitation upon User Suppressed Reconciliations as this does affect the total energy content but again 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 agree with the proposer that the introduction of this mod will incentivise Transporters to ensure that all relevant metering and invoicing processes are operating as intended, and as expected by Shippers, Suppliers and their customers. In addition, we concur that the incentives brought about by the proposal, in particular accurate metering, will assist in the operation of the Total System.

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

Yours sincerely,

Simon Howe.  
Gas Network Codes Manager