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3<sup>rd</sup> September 2007

**Re: Modification Proposals 0167 " Changes to Reconciliation Arrangements under CSEP NExA"**

Dear Julian,

Thank you for inviting us to comment on this modification. RWE npower supports the implementation of this modification proposal, as it will provide the foundation for implementing enduring arrangements.

RWE npower has actively participated in Ofgem's CSEP NExA meetings, which its initial objective being, to establish the reasons behind the non implementation of a number of modification proposals that sought to bring elements of Annex A of the CSEP NExA into the iGT Network Codes. It became quite apparent from the inaugural meeting that participants were faced with significant issues and concerns surrounding the existing operational and governance arrangements.

iGTs are responsible for passing reconciliation data to xoserve in order that CSEP reconciliation charges can be calculated and levied to gas shippers. For whatever reason it appears that only 2 LMN reconciliation have been carried out in the 12 months to May 2007. This is out of 4096 I&C LMNs, which should have been reconciled. RbD Shippers bear the costs of this pool of unreconciled energy. With the continuing growth of the iGT market RbD Shippers are facing increasing exposure to the misallocation energy and its associated costs.

RWE npower are dismayed that this matter has been allowed to continue to this point. However, we are pleased that the Authority has facilitated discussions, which has led to some decisive action. We believe that whilst this proposal is not ideal, in the fact that the RbD Shippers will not be recompensed for misallocated energy, we agree that it will provide the industry with a foundation to work on new enduring arrangements. It is important that this opportunity is not wasted and that careful consideration for the operability of future arrangements is aligned with industry developments, i.e UK Link Refresh, SMART Metering.

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It is important that the industry understands that this is a one-off pragmatic solution that deals with the historical issue and should not be seen as a matter of course if this issue should arise in the future.

We believe that this proposal will better facilitate the relevant objectives as defined in SSCA11 of the GT Licence, as it will allow the industry the opportunity to develop an enduring solution that will give participants confidence that energy is accurately allocated, thus securing effective competition between Shippers and Suppliers.

If you wish to discuss any points raised in this response further, please do not hesitate to contact me.

Regards,

Heidi Martin

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