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Re: Proposed UNC Modification 0203V – “Revision to DN Shrinkage Regime”

Dear Julian,

RWE Npower does not support the above Proposed UNC Modification.

We are generally supportive of a fixed volumetric shrinkage allowance being set for each LDZ by Ofgem as we feel that this will better assist in the future calculation of the as yet unknown total amount of Unaccounted for Gas, although a large quantity of work will still remain to be done in this area.

However, we do not support the reclassification of LDZ vented gas from Own Use Gas to Unaccounted for Gas. “Vented” gas in this sense is largely methane, a gas proven to have an even more deleterious impact on the environment than carbon dioxide.

The two sets of circumstances in which methane is released into the atmosphere are “compressor venting”, which takes places when compressor units are depressurised, and “fugitive emissions”, which are low level emissions from the operation of control equipment such as pressure relief valves and depressurisation relating to plant or pipeline maintenance and construction activities. Natural gas emissions from the DN networks in 2007/08 were around 350,000 tonnes of methane, which is equivalent to over 7 million tCO₂e, and although the majority of this will be shrinkage, a significant amount of it will be the result of venting.

As stated above, these greenhouse gases released by the Distribution Network Operators into the atmosphere during the operation of the system are currently accounted for under Own Use Gas. However, National Grid Distribution has now proposed the reclassification of this vented gas as Unaccounted for Gas, a term normally reserved for gas lost through leakage or stolen from the system. It is worth reiterating that the exact amount of Unaccounted for Gas is unknown, although the subject continues to be a matter of ongoing debate.

We fail to see how bundling such a large amount of greenhouse gas emissions into a category the exact volume of which is currently unknown will benefit the quantification or reduction of these emissions and feel that such an approach would be diametrically opposed to the principles stated by Ofgem in its open letter issued on April 15, 2008 entitled, “*Proposed Guidance –Environmental Issues and the Code Objectives*”.

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The following quotes are taken from the “Proposed Guidance” section of that open letter:

“4. Any measurement [of greenhouse gas costs] should assess the economic costs and benefits of greenhouse gas increases or reductions associated with the modification proposal. In undertaking these measurements we consider that the code panels should:

- a. quantify the impact on greenhouse gas emissions in terms of tonnes of carbon equivalent; and*
- b. develop a range of cost scenarios using both the price of carbon under the EU ETS, as well as the shadow price of carbon. We recognise that going forward, other mechanisms to measure the commercial costs of greenhouse gases may be developed and this letter should not be interpreted as precluding the use of any such mechanisms.*

5. Having measured the economic costs of greenhouse gas emissions, the code panel should use the results of this analysis to inform its assessment of the relevant modification against the efficient and economic network operation objective of the relevant industry codes.”

It is clear from these quotes that Ofgem assigns great importance to the quantification and, if possible, reduction of such emissions and we cannot support the obfuscation of these numbers by including them in Unaccounted for Gas.

It is possible that, in future, when DNs have submitted their Leakage Model for approval by Ofgem subject to Special Condition E9 of their licence and the total amount of Unaccounted for Gas has been suitably quantified to the satisfaction of all industry participants, gases vented by the Distribution Network Operators could be included in that category. Until then, we strongly feel that vented gases should remain in the category of Own Use Gas as at present where the amounts can be properly monitored and suitable incentivisation made for the reduction of these by the Distribution Network Operators in line with Ofgem’s recent guidance on Environmental Issues.

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

Regards,

Chris Hill

Gas Codes Analyst