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**Re: Modification Proposal 0211 'RbD Audit Governance Arrangements'**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. National Grid Gas (Distribution) (NGD) supports implementation.

The current RbD (Reconciliation by Difference) Audit performed pursuant to section V9.5 of the Uniform Network Code (UNC) has consistently demonstrated that Transco, and latterly Distribution Network Operators (DNOs), have performed the RbD calculation in compliance with the terms of the UNC. In the immediate years following the introduction of RbD in 1998 the RbD Audit was valued in providing reassurance that costs were being allocated in accordance with the terms as set out in the Network Code.

Now, ten years following the introduction of RbD, the industry is confident that the calculation is applied correctly such that members of the RbD Audit Sub-Committee have recommended that the UNC Committee be able to suspend the audit as the level of reassurance it currently provides is finite due to its current scope. Indeed, separate consideration is now being afforded to the possibility of an audit of the wider data feeds to the RbD calculation.

Therefore, NGD considers it appropriate that where the Committee (acting on the advice of the RbD Audit Sub-Committee) believes that the prospective audit is not required, it may direct by simple majority to suspend the appointment of an auditor in the following year. We note that such a decision needs to be timely in providing sufficient notice to the DNOs' agent whether or not to procure the services of the relevant auditor.

The only practical implication this would have is that it is likely that tenders to conduct the audit would only be offered for one year at a time as there is the potential for the Committee to vote not to perform the audit in the following year. This would potentially increase the frequency with which tenders are required to be sought (historically, tenders have been sought for a 3 year period with an option of a further 2 years). The shorter contract duration on offer may not achieve as keen a price as would materialise for the longer period sought historically. Both factors potentially increase the overall cost of procuring the auditor.

Accordingly, NGD supports implementation of this Proposal on the assumption that a greater number of audits due to take place are postponed compared to the quantities which are actually carried out. If this transpires we would expect there to be an overall cost saving compared to current arrangements.

In respect of the changes required to the UNC in the event of implementation, NGD notes that specific provision for this function of the UNC Committee would be necessary to address the requirements of UNC General Terms Section 4.4.1.

Please contact Chris Warner on 01926 653541 ([chris.warner@uk.ngrid.com](mailto:chris.warner@uk.ngrid.com)) should you require any further information with respect to the above.

Yours sincerely

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