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February 6, 2009

**Re: Proposed UNC Modification Proposal 0213V: "Introduction of User Pays Governance Arrangements into the UNC"**

Dear Tim,

RWE Npower offers qualified support to the above Proposed UNC Modification. We agree that with the introduction of User Pays for Modifications that will require changes to non-core Xoserve services or the creation of entirely new services, there needs to be an appropriate framework for the allocation of such costs.

We note that, in the GDPCR Final Conclusions document, Ofgem stated,

*"...parties need to be able to agree how much the service should cost, and who should bear the cost associated with the service. In particular, there need to be contractual arrangements to support these services."*

We feel that the Proposed Modification goes some way towards facilitating this aim, and the mechanism contained within the proposed Business Rules for the determination of size and apportionment of any cost related to the development and implementation of User Pays Modifications seems appropriate.

However, we have some concerns as to what might potentially happen in a situation where parties were unable to reach agreement with regard to cost and apportionment. Although Paragraph 5 of the proposed Business Rules states,

*"The Modification Panel shall be able to send Modification Proposals with a User Pays to an appropriate Workstream, Development Work Group or Review Group to attempt to resolve any issues with the funding and charging arrangements",*

there is no provision as to the next step if agreement between parties still cannot be achieved in such a forum. We think it highly unlikely that this is an issue on which Ofgem will be able to arbitrate as it is not their function to rule on the business models and planned spends of industry parties. There is, therefore, a potential danger that certain Proposed Modifications will stall at this stage if agreement cannot be achieved.

This could then lead to a number of alternate Modifications with different cost estimates

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and apportionments being raised, which could greatly delay the passage of Modifications to the UNC and greatly slow down the whole regulatory process in the gas market.

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