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Re: Proposed UNC Modification 0215: “Enduring Arrangements for Supply Point Capacity Decrease at an Interruptible Supply Point”

Dear Julian,

RWE Npower supports the above Proposed UNC Modification.

We agree with the proposer that it makes more sense for Interruptible Users to have the option of reducing Firm Supply Point Capacity rather than Interruptible Capacity in the case of a decrease in SOQ at an Interruptible site. This should then enable the Transporter to make Firm Capacity available to other Users, thus providing a benefit in terms of economic and efficient operation of the pipeline system as this may mean that it will be possible to avoid reinforcement in certain cases.

Under the current rules the situation could arise whereby a site which had previously successfully tendered for Interruptibility would then lose that Interruptible Capacity shortly afterwards if an SOQ reduction were to take place. This would then mean that the Transporter may be required to hold an ad hoc Interruptibility tender to replace this lost Interruptible Capacity – a highly inefficient process, both from a financial and efficiency point of view. Allowing the Interruptible User to keep this agreed level of Interruptibility and reduce Firm Capacity instead seems much more sensible.

However, recognition is required of the fact that if an Interruptible User (through its Supplier/Shipper) and the Transporter enter into such an arrangement then that Interruptible User gains a financial advantage through not paying Capacity charges on the Firm portion reduced whilst continuing to receive payment for Interruptibility under the terms agreed in line with the original tender. It is acknowledged that the Interruptible User would continue to pay the reduced Capacity charge on the Interruptible portion during the Transitional Period. It is not possible to estimate how large this benefit will be as it will be on a case by case basis and it is expected that the Transporter will not want to give up any more income than is necessary. However as long as the Transporter provides this option (assuming approval by Ofgem) in a prudent manner we believe that the benefits gained by the Transporter from the flexibility to manage its network efficiently would outweigh the minor disruption to the concept of the equal treatment of all parties.

Finally, we note that the proposed reduction of Firm Capacity can only take place if

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both the Transporter and the Interruptible User agree on this. If such agreement is not reached, the current rules will then apply. We agree that this arrangement is appropriate and provides Interruptible Users with a greater level of choice than they have previously enjoyed.

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