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Re: Proposed UNC Modification Proposals 0228 & 0228A: "Correct Apportionment of NDM Error - Energy"

Dear Tim,

RWE Npower would like to offer support for Proposed UNC Modification 0228A and qualified support for Proposed UNC Modification 0228. Therefore, of the two Proposed UNC Modifications, 0228A is our preferred option.

The current arrangements, whereby the SSP sector is liable for the entire cost of all unallocated gas, have long been considered to be inequitable and we are encouraged that progress is now being made in this area. Nevertheless, the introduction of LSP sector liability in this area is, we believe, something which should be carefully considered.

While it appears to be agreed by all parties that the LSP sector should in some way contribute towards the cost of unallocated gas, we understand the reluctance of that sector to expose itself initially to a potentially difficult to quantify level of new risk. For this reason we feel that the set (although reviewable) volumes for LSP contribution as proposed by Scottish Power in their Modification 0228A are a more pragmatic approach than the variable RbD contribution laid out by Centrica in Modification 0228. However, we also accept that Modification 0228 is a better framework than the current arrangements, hence our qualified support for this proposal.

We agree with the conclusions of both proposers that theft of gas is the major contributor to unallocated gas and, although it seems improbable that theft takes place at Daily Metered LSP sites, theft at Non Daily Metered LSP sites seems well within the realms of possibility. We again reiterate the fact that, under the current arrangements, theft of gas at such a site is currently paid for by the SSP sector which does not provide a suitable incentive to the LSP sector to deal with this. In addition, it does not appropriately allocate liability to the parties behind those costs.

However, for the reasons stated above, we believe that Proposed UNC Modification 0228A, by virtue of its lessening the exposure of the LSP sector to unpredictable risk, is a more equitable solution for all parties than Proposed UNC Modification 0228.

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

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Regards,

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