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12<sup>th</sup> May 2006

Dear Ndidi,

### **Review of Reconciliation by Difference (RbD)**

I am writing further to the publication of the Review of Reconciliation by Difference on 31 March on behalf of Wales and West Utilities. I attach our response below.

If you would like any further information please contact me on 029 2058 8106 ([sarah.williams@wwutilities.co.uk](mailto:sarah.williams@wwutilities.co.uk)) or Steve Edwards, Head of Income & Pricing, 02920 588 092 ([steven.j.edwards@wwutilities.co.uk](mailto:steven.j.edwards@wwutilities.co.uk)).

Yours sincerely

Sarah Williams  
Regulation Support Manager

## **Response to Review of Reconciliation by Difference Consultation**

Wales and West Utilities (WWU) generally support Xoserve's response to this consultation paper and would ask that our response is read in conjunction with this. We have a few additional comments on specific questions which are detailed below.

### **Chapter One – Introduction**

#### **1. Given the original rationale and benefits of RbD, do you consider it remains valid under the current GB Gas arrangements?**

In an ideal world, with all the technology available and all parties working together, the best solution would be for all meters to be read and shippers invoiced on that basis. However, we are presently a long way from that world. Without efficient technology, significant investment, change and communications to read all of the meters in the UK on a regular basis, other arrangements are required and we consider that RbD is appropriate and provides benefits to the Gas industry in that it is a fair basis on which to invoice shippers. There would also be major implications to the industry in terms of developing an alternative system to RbD.

#### **2. Are the costs and benefits of the RbD process transparent to the industry, and if not what how can transparency be improved?**

We have not seen the specific costs of running RbD and are not aware if this data is available. Xoserve has been set up as a separate entity and that should help to improve transparency of costs to the industry.

There is a Billing Operations forum and an RbD sub group that is open to all shippers and transporters to attend. We have seen various RbD audit reviews.

#### **3. Do the various RbD related industry work groups provide sufficient governance and transparency of the RbD arrangements?**

As mentioned above, a Billing Operations forum and the RbD sub group are available to all Shippers and many issues are raised there. Attendance at and discussion of issues are encouraged at these forums.

#### **4. Is there sufficient transparency of the data or the information Xoserve provides to the Industry?**

The Shippers receive detailed invoices that contain all the data to back up the reconciliation invoices. This can be complex and difficult to reconcile due to the length of time to which RbD relates.

#### **5. Is the scope of the current RbD Audit appropriate?**

Our understanding is that the scope is defined with UNC however we are unsure if the scope includes a value for money element or a cost benefit analysis.

6. Are there sufficient incentives on all parties to limit the size of RbD?

Meter read frequency and accuracy as well as accurate and up to date AOQ information are key elements of RbD. We think there is room for improvement in the quality of data in this area. The increase in CSEP connections could also undermine RbD if accurate reads and AQs are not maintained.

## **Chapter Two - RbD Issues**

Please refer to Xoserve's response to these questions.

## **Chapter Three - Wider Considerations**

11. What would the likely costs and benefits be of introducing Meter Point reconciliation to all supply points?

This depends wholly on the technology and efficiency of meter reading. We believe there would be significant industry costs, such as those in relation to changes to Xoserve, transporter and shipper systems, which would be in addition to the likely increase in meter reading costs.

The benefits of obtaining better and more up to date meter data include more accurate transportation charges, removing the need for the RbD process, removing any doubt about allocation and make Transporter Income and Shipper costs more transparent and robust.

12. What conditions would need to be satisfied in order for individual Meter Point reconciliation to be practicable?

Significant investment across the industry would be required as well as major advances in technology to deliver a process that costs less than the current RbD process. This would mean a major change to the basis of charging to the industry.

13. Would it be feasible for shippers to choose whether their supply point should be individually reconciled or processed through RbD?

We are not sure what the costs would be to the industry of having a system to cope with both alternatives. Our initial reaction would be that would be complex and cause confusion and inconsistency. Furthermore, if this option was available it would encourage shipper to choose whichever approach suited them commercially, which could mean a decrease, rather than an increase, in cost reflectivity, especially if one result was more costs smeared across all participants.