



Dear Ndidi,

**REVIEW OF RECONCILIATION BY DIFFERENCE (RBD) REF: 57/06**

I write on behalf of Gas Forum members in response to your recent consultation document on Reconciliation by Difference (RbD). It is not my intention here to address the detailed questions posed in the document. I would anticipate that Forum members will respond on their own behalf as they deem appropriate, there are however a few high level points I would like to make.

As you state in the document RbD has been operating for more than seven years without a holistic review being undertaken. In this respect the present consultation is a timely and valuable opportunity for industry stakeholders to take stock and form a view as to whether such a review is necessary. Indeed, in the Summary of the document, under the heading "Issue", you state, "This document highlights several industry concerns of which Ofgem has become aware, ..... which are considered to create undue risk to the accuracy of RBD". We agree that it is important that fair, transparent and equitable settlement arrangements are in place, to ensure that individual shippers, market sectors and customer groups are not adversely affected

(The scale of RBD is significant, especially when coupled with the impacts of scaling factor and taken in to the context that the resultant charges are always applied to one specific market sector).

It is also the Forum's view that there is a well understood and effective governance process surrounding the Uniform Network Code (UNC) which, in addition to putting forward Modification Proposals, includes the ability for a signatory to initiate a Review of any area of UNC that it feels is not working properly and have that Review conducted within the governance process.

There are many reasons why modifications may not have been raised; not least the need for a reasonable possibility of any significant changes to xoserve systems. As well as the impact of the DN sale process had on Shippers' time and resources.

You also ask for views on what role Ofgem might have, if any, should the responses to your Consultation indicate a strong body of feeling that RbD is in need of fundamental review. It is the Forum's long held opinion that Ofgem should not initiate any action nor take any role outside the existing governance provisions. The established processes and procedures which were used to develop and implement RbD in the first place still exist.

If a Forum member, or any other UNC signatory, initiates a Review of all or part of RbD under the Modification Rules then the Forum is confident that it will progress within the established process and Ofgem's role would be as set out in the Rules. The Forum sees no need or justification to contemplate an Ofgem managed project run outside the governance regime. However Ofgem has frequently been the instigator of changes i.e. Exit and interruptible reform. They could perform a useful function in initiating reform of RbD without determining its outcome.

I trust you find these points of interest and should you wish to explore them further I would be more than happy to arrange an appropriate meeting.

Yours sincerely

Steve Briggs,

Chairman, Gas Forum