



taking care of the essentials

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Our Ref. TO Incentives
Your Ref.
31st March 2004

Dear David,

The form of transmission owner revenue restrictions and consequential effects on NGC's revenue restrictions

Centrica welcomes the opportunity to comment to Ofgem on the above consultation.

We agree with the majority of the paper, and support Ofgem's aim of introducing adequate incentives that are simple to implement and conducive to an effective working relationship between the transmission licencees.

However, we have some concerns over the proposals for investment planning, we suggest that the TOs should be able to develop appropriate long term investment plans. We find this difficult to reconcile with the ability of the GBSO to dispute an incremental investment step and ultimately Ofgem potentially blocking the investment without overall consideration of the plan as a whole. We are also confused as to how the long term overall investment plan can be efficiently developed with the signals for investment coming from GBSO.

Additionally, and perhaps more importantly, we suggest that further progression needs to be made on the division within NGT between the SO and TO businesses. It is imperative that the appropriate Chinese walls and processes are implemented and are seen to be effective by the industry before the introduction of BETTA in April 2005. This is particularly relevant if Ofgem also wish to progress to a deeper SO incentive scheme from this date.

Overall, we suggest that there should be greater incentives on the TOs and the GBSO to ensure a downward pressure on costs and that the users of the system should benefit from a share of this reduction.

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On a final note, we feel that as with the majority of the BETTA consultations, it is difficult to envisage how this will all ultimately work in practise as the STC and licence conditions are still outstanding.

Please contact me if you have any queries regarding these comments.

Yours sincerely,

Sarah Owen
Commercial Manager
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