



Powergen Response to Ofgem Consultation 108/04:

Income adjusting event under National Grid Company's 2003/04
system operator incentive scheme

Powergen welcomes the opportunity to comment on Ofgem's consultation on the Income Adjusting Event (IAE) under National Grid Company's 2003/04 System Operator (SO) Incentive Scheme.

Powergen believes that the event should be considered as an IAE, given the change in the approach used by NGC's to procure reserve and the change in the forecast of capacity margin and prevailing market sentiment at the time. We are unable to offer a meaningful analysis of the IAE costs, because of the lack of supporting data provided with the consultation, we therefore have to accept Ofgem's view that adjustment figure of £5.54m is correct.

In this respect we welcome Ofgem's proposal's to improve both the IAE process and the amount of supporting data that is submitted with future IAE's, as this will help to address the above problem. We also support Ofgem's proposal that similar changes should be made to Transco's Gas Transporter licence.

We believe however that Ofgem should clarify the nature of NGC's responsibilities in respect of the purchasing of reserve. NGC clearly have an important role in ensuring short term security of supply and it is important that all market participants fully understand the extent of NGC's responsibilities. We would therefore urge Ofgem to use this opportunity to clarify the important changes to NGC's responsibilities that have given rise to this Income Adjustment Event.

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