



*taking care of the essentials*

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Our Ref. TO Price Control  
Your Ref.  
9th July 2004

Dear David,

**Extending the National Grid Company's Transmission Asset Price Control for 2006/07**

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

We support Ofgem's proposal to extend NGC's price control for 2006/07 using Option 2. We also believe that this option reflects the appropriate balance between protecting customers' interests and ensuring NGC can operate in a stable regulatory environment.

We suggest that the real reductions in operating expenditure should also be extended to cover the additional year. We therefore suggest that Ofgem's adopts a further real reduction of 2.5% on assumed controllable costs for the 2005/06 operating expenditure.

In light of the additional capital expenditure made by NGC during the current price control we also support Ofgem in undertaking a review of NGC's capital expenditure requirements for 2006/07 as part of this process.

We suggest that a review of NGC's SO internal cost price control should be carried out as part of these proposals. We believe this would result in an efficient and broader review within each price control that is more likely to result in a consistent and more effective approach to both price controls.

On a final point, we wish to reiterate a point made in our response to Ofgem's open letter: we believe that it is essential that as part of this process, no perverse incentives are created within the price controls. This is especially the case for NGT who have a number of price controls and incentive schemes applying to their operations.

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

Yours sincerely,

Sarah Owen  
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