



taking care of the essentials

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Our Ref. TO Incentives
Your Ref.
27th October 2004

Dear Ms Uvais,

Electricity transmission network reliability incentive schemes

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

We are concerned that this proposed incentive scheme will effectively reward NGC for the efficient working of the transmission system, something that it should already be doing under its Licence conditions. We therefore do not support the proposed implementation of this incentive scheme.

We believe that last year's incidents were "one-off" events, this is something that is supported by the analysis provided in the consultation. Therefore the proposals contained in the consultation will not necessarily result in any significant direct action by NGC, as on the balance of probability, usual levels of unsupplied energy will result in reward payments under this scheme. These levels of reward will more than compensate for the occasional high year, under which they will lose a small proportion of their allowed revenue.

In addition, it is not clear how this incentive scheme interacts with all of NGC's other revenue and incentives payments. We suggest that any new scheme applying to a regulated company should be carefully considered against existing schemes to ensure that rewards are not being duplicated and that perverse incentives across the group are not created.

Notwithstanding, we believe that the incidents that occurred in London and Birmingham last year have led to a higher, and therefore non-reflective, one-off level of unsupplied energy in that year. This in turn has led to a higher average being proposed as a marker for the incentive. This will, we suggest, result in NGC being more able in subsequent years to gain higher incentive payments.

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Furthermore, due to the initial scheme applying for 15 months we question whether there is any evidence of a seasonal pattern for the unsupplied energy levels. If so, this should be factored into the target rather than a straight 25% increase on the annual target.

As levels of unsupplied energy effect 3 customers or less are still very high, we would question whether these should be included within the incentive or excluded as proposed. It seems that there are either a large number of these incidents occurring or they are affecting large customers, we consider that both of these potential scenarios should be monitored.

In summary, we believe that the proposals need further thought. They appear to be almost a knee jerk reaction against high profile, one-off events. We believe it is imperative that NGC are not merely rewarded for carrying out their duties under their Licence which these proposals appear to do.

I hope you have found these comments of use. Please contact me if you have any queries regarding these comments.

Yours sincerely,

Sarah Owen
Commercial Manager
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