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Thursday, 04 November 2004

Peter Dickinson
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Ofgem
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Dear Peter,

Re: Gas Quality, Wet Gas Administration Scheme, Initial Proposals.

Thank you for the opportunity to comment on the above document, Centrica supports the proposal to remove the scheme and not replace it.

Centrica understands that the issue of Wet Gas is more common on the older metallic mains rather than the new PE main. Clearly, as the Mains Replacement Programme continues, the extent of Wet Gas should continue to reduce. Pending the replacement of metallic main, we are of the view that continuing the monitoring programme, albeit at a lower level, would be sensible in areas which are wholly or mainly metallic, to ensure that the position does not worsen. We would suggest that the relevant transporter should continue the activity and report to the Authority perhaps twice a year. The report should also be published. As the Mains Replacement Programme nears completion, we believe that the monitoring could be reduced accordingly.

We can see no reason why this change should not be implemented as soon as possible, but believe that some system and process changes will be required. As these changes may vary in complexity between participants, we would propose that a grace period of 3-6 months should be allowed for participants to make the changes to systems and any supporting processes. Whilst the changes associated with this proposal may be relatively minor, there is a high level of industry change planned or proposed, and allowing participants to schedule changes to fit into their change programmes should help mitigate costs associated with the proposal.

As the removal of the scheme would be expected to reduce transporter costs and so generate savings, we believe that the savings should be clearly demonstrated to be passed through the price control and hence into transportation charges.

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We trust these comments have been useful, but if you would like to discuss any points in more detail, I should be happy to help.

Yours sincerely,

Alison Russell
Regulatory Issues Manager