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Dear Indra

Calculation of the Connected System Exit Point (CSEP) charge under Relative Price Control (RPC) for iGTs – GTC Response

Thank you for your letter dated 16 December 2004 inviting GTC's comments on the above issue.

Having reviewed your letter, GTC agrees to the results of your analysis should an alternative approach of calculating the CSEP unit rate be adopted– namely that:

1. IGT's are revenue neutral to the two approaches suggested
2. Different CSEP unit charges would be calculated for each property
3. The alternative method would better reflect the Transco-equivalent charge for these sites.

For consistency, GTC would advocate the implementation of Option 3, however, GTC does have concerns over recovering any costs associated with making such changes to our billing system and the implementation time-frame. Our acceptance of this change is based on implementation from 1st January 2006 and a method of recovering IT costs.

GTC also require answers from Ofgem to the following:

1. Are Ofgem proposing to introduce the alternative method of calculating the CSEP charge on a retrospective basis? i.e would all current RPC CSEP unit rates require amendment per supply point?
2. Are Ofgem intending to address the issue of iGTs not being able to maintain consistency with Transco in relation to using domestic-only load factors for the derivation of appropriate CSEP rates?
3. Will Ofgem consider re-issuing the RPC Guidance Notes to include full detailed examples and clarification of the correct NExA table AQs to be used for RPC calculations?

We look forward to hearing from you in relation to the above in due course and are, as ever, happy to discuss.

Yours sincerely

Paul Edwards
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GTC/GPL