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Our Ref.
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Dear Dave

**RE Proposed amendment to the Incremental Entry Capacity Release (IECR)
Methodology Statement to introduce a formal consent process to adjust investment
lead times**

Thank you for the opportunity to comment on this Consultation document. Given below are the comments of British Gas Trading (BGT).

The proposed changes to the IECR provide only the bare minimum to introduce the consent procedure. We would advocate the inclusion of a more prescriptive description of the process that was to be followed in order to gather the necessary facts and opinions from the required consultation with affected parties.

In our view the inclusion of the need to obtain consent, in B1, and the requirement to consult with affected parties and produce a report arising from this consultation, C2.3(h) is a bare minimum.

In order to make this consultation as effective and informative as possible to the Regulator in making a decision on consent to waive the licence obligations, we believe that the consultation must be underpinned by a range of relevant information. This requirement was included within the "minded to" letters issued by Robert Hull, Director of Transmission on the recent Modification Proposals. We concur with the view expressed therein, that the basis of this information set should include:-

- The location (System Entry Point) at which the application for consent is to be made
- The extent to which "normal" baseline or incremental capacity would not be offered
- The duration of the reduction or restriction
- The reasons why the normal obligations cannot be fulfilled

We would draw attention to the documents issued just after this consultation, in respect of the application for restrictions to be applied in the 2005 LTSEC process (Paul Roberts's letters of 21 September 2005). Although we recognise that UK Transmission have followed this guidance and followed "good practice" in this instance, and would hope that this would be the case in future, we believe that this requirement should be defined as an obligation within the IECR.

We would re-iterate our comments, articulated in previous consultations related to the release of both baseline and incremental capacity, that the licence obligations should continue to apply unless there are compelling factors which make this impossible.

In the case of any limitation upon incremental capacity for a forward period (150% of baseline with a three year lead-time) it is essential that this is identified, consulted upon and consent obtained well in advance of the offer of such capacity in the LTSEC process. This will enable any prospective bidders to be aware of such constraints in preparing their identification of requirements in advance of the LTSEC round.

With regard to any restriction of baseline capacity, we would hope that this is an exceptional and rare event. The fact that the Transporter will be receiving a return on the investment to provide baseline capacity requires that the placement of the hurdle for obtaining consent is at a much higher level, in our opinion. We believe that consent should only be gained where the constraint could not have reasonably been foreseen at the time of making the initial allocation of capacity. The factors demonstrating this must form an integral part of the consultation process as detailed above.

We are also of the opinion that the structure of the current incentive arrangements for capacity release are in need of some review whenever such consent is given. However, we recognise that this is a matter for inclusion within the licence provisions rather than inclusion within the IECR.

In summary, and in response to the specific points to which you seek comment, although we concur that the requirement to obtain consent should be codified within the IECR we do not believe that the amendment proposed contains sufficient detail to capture the obligations which should be placed upon the Transporter in seeking consent. Therefore we cannot support the proposed revision.

You will see that I have copied this letter to Mark Feather at Ofgem, as it closely parallels the consultation, which he is leading on the S23 amendment to the Transporter Licence.

Please contact me if you require any further information.

Yours sincerely,

Mike Young
Commercial Manager

Cc Mark Feather
Associate Director, Transportation
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