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Dear Mark

Final proposals on the transitional incentive schemes supporting the offtake arrangements

Thank you for allowing us the opportunity to respond to Ofgem's final proposals on the transitional incentive schemes supporting the offtake arrangements. This response is written on behalf of National Grid Gas Transmission.

We agree that the NTS transitional incentives should be considered as part of the current transmission price control review, as we believe that there is a need to look at all the interactions between entry and exit. This will enable the incentives to be set in the context of the wider price control agreement and will allow the most appropriate methodology for setting output measures (such as baselines) and Unit Cost Allowances to be determined. We are particularly keen to ensure that the process of setting baselines and revenue drivers leads to any costs that we may incur for providing increased entry, exit, flat or flexibility capacity being appropriately remunerated.

We note the views raised by a number of respondents in relation to the UNC Modification Proposal 0046: Extension of the Sunset Clauses for Registration of Capacity at NTS Exit Points and the recent consultation on the changes to the Incremental Exit Capacity Release (IExCR) Methodology Statement to support the Transitional Gas Exit Capacity Arrangements proposed in UNC Modification Proposal 0046. We will be addressing the points raised by respondents in due course as part of our report to the Authority following the closure of the IExCR consultation on 23rd December.

We agree and note the principles underlying Income Adjusting Events thresholds and we will be responding in due course to Ofgem's open letter dated 14 December on the issue of Income Adjusting Events thresholds for gas distribution networks.

National Grid Gas Transmission confirms that for the purposes of Section 23 of the Act, National Grid Gas plc will be consenting to the modification of its NTS licence in the manner specified in Appendix 7B.

Further, for the purposes of paragraph 3(d) of Standard Special Condition A2 of the NTS licence, National Grid Gas plc has no objection to the proposed modification to Standard Special Condition A3 of the NTS licence in the manner specified in Appendix 7A.

We have formally written to the Authority in relation to the above two modifications to our NTS licence.

In the meantime, if you require any further assistance, please do not hesitate to contact me.

Yours sincerely

By e-mail

Chris Bennett
Regulation Transmission Manager