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Final proposals on transitional incentive schemes and formal licence consultation under section 23 of the Gas Act 1986 and paragraph 3(a) of Standard Special Condition A2

Dear Mark,

RWE npower welcomes the opportunity to comment on the above final proposals document.

We broadly supported Ofgem's initial proposals on the transitional incentive scheme for offtake arrangements as we believed they adopted a pragmatic approach that minimised change and made use of existing processes.

As the final proposals largely reflect Ofgem's initial views we remain broadly supportive. Where Ofgem have departed from their initial views, such as in setting a £5m absolute limit to the overall cap and collar exposures, we believe this is an appropriate and proportional way of addressing the concerns expressed by ourselves and others during the consultation process.

We note Ofgem's intention to make a decision on modification proposal 0046 early in the new year and would urge that this be done as soon as possible to provide certainty to the market and to avoid any further potential to compromise investment timescales.

We also note Ofgem's intention to establish an Enduring Offtake Workgroup in order to debate and develop enduring arrangements gas offtake and incentives, which we welcome. We trust that such debate will fully encompass the offtake arrangements prevailing at NTS direct connects, NTS/LDZ Ofstakes and DN Ofstakes and hope that it will not be constrained to only considering the auctioning of flat and flexible capacity, elements of which were introduced into the UNC and transporter licences at the time of DN sales with little apparent benefit or enthusiasm.

Yours sincerely,

Steve Rose
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