

Ref: AW/DM/013

18 January 2006

Mark Feather
Office of Gas and Electricity Markets
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Dear Mark

Re: Income Adjusting Events thresholds for gas distribution networks

NGN welcomes the open letter on Income Adjusting Events (IAEs) and provides its response below.

NGN's costs for gas offtake are low and consequently it is unlikely that the current threshold of £2 million would be reached. However, NGN also recognises that investigating an IAE event is not costless for Ofgem and thus it would not be appropriate to have too low a threshold. In a previous submission, NGN proposed a threshold of £250,000, however, we now believe that option 3 as set out in the open letter is a reasonable compromise. That is, caps and collars are determined on a proportional basis subject to a minimum threshold of £500,000.

The lower threshold also recognises the split of the national distribution network into smaller DNs.

Please do not hesitate to contact me should you have any questions on this response.

Yours sincerely



Alex Wiseman
Regulation Director