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28<sup>th</sup> April 2006

Dear Robert,

### **Transmission Price Control Review 2007 – 2012: Third Consultation**

I am writing further to the Consultation Paper of the Third Consultation of the Transmission Price Control Review 2007 – 2012 on behalf of Wales and West Utilities Limited. I attach our response to the Paper below.

If you would like any further information please contact me on 029 2058 8290 ([bob.westlake@wwutilities.co.uk](mailto:bob.westlake@wwutilities.co.uk))

Yours sincerely

Bob Westlake  
Regulation Manager

**Wales & West Utilities Response to  
Transmission Price Control Review 2007-2012  
Third Consultation**

Wales & West Utilities (WWU) have relatively few comments on the above consultation. These all relate to the Ofgem questions posed in Chapter 5.

**Chapter 5 - Gas Offtake Incentives - Ofgem Questions**

- 5.1 Is our proposed approach for the transitional period appropriate?
- 5.2 Do you agree with the assessment of the high level options in the Second Consultation?
- 5.3 Is the high level option proposed appropriate?
- 5.4 Do you agree with our thoughts on baselines, revenue drivers and payment flows given an emphasis on user commitments?
- 5.5 Are the proposals for a gas Offtake buyback incentive appropriate?

**Summary**

WWU supports Ofgem's proposal that the transitional period should be a continuation of the interim period. The move to nodal baselines in anticipation of the enduring regime is welcomed. There are, however, a number of issues to be resolved with National Grid around specific parameters and the implications that these will have for NTS charges. The removal of the 15 day interruptions incentive is in line with the transitional regime for Distribution.

**High Level Options**

WWU supports Ofgem's view that Option Ex2 offers the most appropriate model for baseline and product definition. The removal of the proposed substitution incentive aids in the simplification of the model. At this stage, further information about the substitution obligation is required before we are able to comment on the long term impact of baseline adjustments.

**Baseline Approach**

The baseline approach based on practical maximum physical capacity is one that WWU supports as this reflects the actual system capacity. Again, however, there are a number of issues to be resolved with National Grid around specific parameters.

**Enduring Offtake Arrangements**

From a DN perspective it is difficult to comment fully on the proposed Enduring Regime whilst the issues of capacity allocation and capacity product definitions are still being discussed and developed. There are significant issues relating to the product(s) which will impact on both the development and operation of the Network. In relation to the matter user commitment

**Payment Flows**

WWU supports Ofgem's view that the new payment flow model should be implemented in parallel with the introduction of the enduring offtake regime. However WWU does not concur with Ofgem's view (Appendix 12, Annex 2, paragraph 1.161) that no pass through costs relating to implementation will be allowed. Whilst noting the comments made our view is that all reasonable costs incurred as a result of new or existing licence requirements should be allowed in the price controls. Our reasoning is straightforward: if the proposals are of benefit

to customers then it is reasonable to charge them for such benefits, and if they are not of benefit then they should not be progressed.