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Dear Robert,

RE: Ofgem Consultation 197/06; Transmission Price Control Review: Draft Licence Modifications

Thank you for the opportunity to comment on this document. Centrica has followed the development of the Transmission Price Control Review for 2007 very closely and looks forward to seeing your Final Proposals shortly. We also recognise that notwithstanding the intent of the documents that ultimately it is the Licence drafting that delivers these proposals. We therefore take notice of these consultations. However, as at this time we have not seen the Final Proposals document, nor the Regulatory Instructions and Guidance (RIGs) and we note your comments about separate consultation on aspects such as gas entry arrangements, any comments we make cannot be considered as final. We would also note that a two week consultation period on such an important topic is unreasonable. We therefore look forward to seeing the final licence drafting and having sufficient time to respond. Notwithstanding this issue we offer the following thoughts:-

- a) Generally we support the structural changes to the Licences that are proposed. However, we are concerned about the apparent latitude given to the TSOs and specifically the move towards a more relaxed regime in certain areas. We prefer a more rigorous regime (especially when allowing for the imbalance in information between the TSOs and the market) requiring individual derogations as and when required.
- b) 2.15 – The requirement to publish data is key to the process. However, we believe that there should be an explicit linkage to the timetable for the release process.
- c) 2.20 – We note the introduction of the capacity transfer mechanism. However, what is unclear is whether the transfer is permanent (ie. beyond any firm request; effectively an annual option etc. This should be clarified within the legal text.
- d) 2.22 – The retention percentage for the short-term auctions is noted. However, we are unclear as to the timing of the decisions that arrive at a post-transfer value and whether the actual levels would be understood at the time the auctions are entered into.

- e) 2.27 – We presume the obligation to consult also applies to any future amendments to such a methodology.
- f) 2.28 – In setting the fees for the capacity calculation for a transfer, we assume that Ofgem will agree any proposals for such charges and keep them under review. In any event they should not be set at a level that discourages the transfer market and should therefore be proportionate.
- g) 2.30 – In requesting approval for the release of Obligated Incremental Entry Capacity we would expect to take market signals provided by routes other than auctions into their considerations.
- h) 2.50 – We note the discussion of the extension to the lead times for NGG to construct capacity. However, we have concerns that any such changes do not fit in to the current structure and timing of Auctions; that the ability to “swap” time between projects gives the wrong incentive and in particular that the 42 months becomes the default at a time when Government is signalling its intention to address planning issues for infrastructure projects.
- i) 5.4 – We are concerned that the release of information is caveated as “where appropriate”. The presumption must be towards publication unless the TSO can justify on a case-by-case basis any restriction. The market needs all the information possible to be able to understand and monitor and address the performance of the TSOs against the Price Control and Allowed Revenues.
- j) 5.9 – The proposals for reporting standards seem reasonable, and the removal of B13 (BETTA) is supported. On B15 the structure looks acceptable and we support the reference to “materiality”, but this obviously needs careful drafting, particularly to ensure that it is not used as an avoidance technique by TSOs. Finally in B15 we note the comment about not requiring retrospective or immediate reporting. However, we would prefer to see this as a possible individual derogation rather than the accepted normal situation.

Should you require any further information or clarification of any of our comments, please do not hesitate to contact me.

Yours sincerely,

Simon Goldring
Gas Transportation Manager