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Your Ref: NTKW GDPC 31

Dear Lewis

NTS Exit capacity and interruption incentive for Gas Distribution Networks 2010/11: open letter

energywatch welcomes the opportunity to respond to the issues raised in the letter. This response is non-confidential and we are happy for it to be published on the Ofgem website.

We agree with Ofgem that it is sensible for reasons of consistency, proportionality and timeliness not to overhaul the current approach to incentives if the transitional arrangements are to last only one further year (2010/11). It seems appropriate to adjust the incentive targets to accommodate volume levels which reflect an efficient and economic approach to offtake capacity and we trust that the data Ofgem has received in this respect from the gas distribution network operators is credible. Consumers expect Ofgem to set targets accordingly. We will consider Ofgem's proposals on the enduring incentives regarding NTS offtake capacity under the gas price control review, ensuring that these meet consumer expectations which also include the delivery of safe, secure and reliable networks.

We note that Ofgem's decision on UNCI 16V is currently under appeal and that the success of that appeal may require Ofgem to reconsider the issue again.

Going forward, we will continue to keep these issues under review as and when they are raised, always considering the possible impact on consumers and we may comment further as we feel necessary.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs

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