

Gas Distribution Price Control Review
National Grid Gas Response to the Leakage and Shrinkage Baselines
for GPCR 2008 -12 - October Update Consultation
24 October 2007

Introduction

1. In our response to the Updated Proposals we noted that the leakage and shrinkage baselines that Ofgem had proposed were incorrect. The updated values included in Ofgem's October update letter remove the vast majority of our concerns.

Baselines

2. We support the significant improvement in Ofgem's approach to setting the leakage and shrinkage baselines. We note that Ofgem is still proposing a small reduction to the levels that we submitted, which were based on the output of the leakage model. Ofgem has not provided an explanation for the reduction and we do not believe that it is justified. Ofgem should set the baselines consistent with the volumes in the attached spreadsheet, submitted to Ofgem on 18 October.



Response to
OP-NGG-1042

3. We support the inclusion of the own use gas (OUG) and theft of gas (TOG) factors as a fixed element within the shrinkage baselines.

Calorific Value

4. We support Ofgem's proposed use of constant calorific values (CV). Whilst we acknowledge that using the actual CV would more closely reflect the GDN's true environmental impact, we believe that the difference between constant and varying CV will be marginal, add unnecessary additional complexity and introduce windfall gains and losses to the mechanism.