



**Legal, Regulation and
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[By E-mail: ayesha.uvais@ofgem.gov.uk](mailto:ayesha.uvais@ofgem.gov.uk)

Dear Ayesha,

Re: GDPCR: Second Licence Drafting Consultation Document

Thank you for the opportunity to comment on the above document, this non confidential response is on behalf of Centrica plc excluding Centrica Storage Ltd. We are happy that Ofgem place this response on their website and in the Ofgem library.

We have addressed the questions raised specifically in the document below, and then in the annex to this letter we have commented on more specific points in the licence text.

Chapter 2 – proposed modifications to special conditions in part E

- 1) Is it appropriate to include a provision in SC E7 which enables the Authority to determine on TMA costs that are not already covered by the provisions of the reopener?

On the basis that we have not opposed the application of a re-opener for TMA costs, we do not object to this provision. We support the requirement for consultation in paragraph 11, but would prefer that it also includes a requirement to publish the Licensee's request to the Authority in full.

- 2) Are the proposed changes to part E appropriate?

In general, we are supportive of the structural changes which have been made and believe that the revised drafting is easier to navigate. We have made detailed comments on some of the appendices in annex 1 to this letter.

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Chapter 3 – Other proposed modifications

1) Are the proposals to consolidate obligations in relation to codes of practice and vulnerable customers appropriate? In particular, do the changes maintain protection for the vulnerable?

Overall, we are satisfied that the proposals in general are reasonable and will maintain customer protection. However, as we have previously commented, we believe it is essential that the changes do not reduce the reporting on performance available to suppliers. Such reporting must be produced and published in full in a timely manner.

2) Is it appropriate to move some or all of the conditions in SSC A19-22 to the standard special conditions in Part D? If so, why?

3) Are the proposed changes outlined in the chapter and set out in detail in the appendices appropriate?

In general, we have no objections to the proposals, providing only that quality of reporting and visibility is maintained. Again, please refer to Annex 1.

Should you wish to discuss any of the points raised above in more detail, I should be happy to help.

Kind regards

Yours sincerely,

By e-mail

Alison Russell
Senior Regulation Manager, Upstream Energy

ANNEX 1

Centrica comments on specific Licence Conditions (LCs)

Appendix 7 Proposed SLC 4B – Connection Charging Methodology

Whilst overall we do not have major concerns with the LC, however, we believe that the 10m rule in 1(b) is inappropriate. Continuation of the cross subsidy is unfair to existing customers and should be reviewed. We believe the cross subsidy inhibits effective competition in domestic connections.

In addition, there are 3 textual points we wish to highlight:

- in para 9 (b) - we do not believe it is appropriate to insert the words “appropriate and practicable” at the start of the clause.
- In para 13(c) – please include a definition of the term “relevant main”
- Under para 14 – it would be helpful to specify that such records should be provided electronically where possible.

Appendix 9 – Proposed Licence Conditions associated with Independent Systems

In general, Centrica believes the proposed LC is reasonable, however, we have some concerns:

- Under para 1 of the DN condition, we believe the arrangements should continue unless replaced. We appreciate that the BERR conclusions document set out a specific end date, however, as the supplier most directly affected by this LC, we are concerned that such a hard cutoff poses an unacceptable risk to the customers affected and may potentially lead to increased costs of supply due to uncertainty. We propose the drafting be adjusted to reflect that the arrangements should continue unless reviewed and replaced.
- Also under para 1 of the DN condition, we believe it would be appropriate to recognise that the “terms” entered into with the relevant shipper may require periodic review.
- In terms of the definition of “Bulk Price Differential”, or elsewhere within the condition, it will be important to recognise that the arrangements are intended to give effect to the cross subsidy as determined by BERR, and also to ensure that the supplier and GDN involved are held whole.
- “Bulk Supply Point” requires defining
- Under table 1 of the NTS condition, Northern Gas Networks appears to be missing from the table
- Under para 8 of the NTS condition, it is not clear why the RPI adjustment reflects the period July – December 2004.

Appendix 11 – Proposed Special Conditions in Part E – RDNs

We have only reviewed Appendix 11 in detail, any comments should be considered of equal relevance to Appendix 10 where the same drafting occurs. This also applies to Appendices 15 & 16, which we understand to be simply clean versions of Appendices 10 and 11. Where an LC is not listed, we have no particular comments.

We note that many of the changes are general/housekeeping and relate to the organisation of the conditions, for example, the different incentives are in separate conditions for clarity. One point of note is that the licence refers variously to the Network Code and the Uniform Network Code, we believe that all such references should be updated to the Uniform Network Code. One example is in the definition of Daily Metered Supply Meter Points, however we have not recorded all instances.

E1 – Revenue restriction definitions

- Under the definition of Independent Systems, the incorrect appendix is referenced.
- Under the definition of “Interruptible Option Cost”, we believe that the drafting is not clear and may, in fact reflect an “exercise” rather than “option” definition.
- There is no definition for Interruptible Exercise Cost, though the term is used in E6 along with Interruptible Option Cost
- NTS Gas Transportation Statement – the definition may need to refer to NGG NTS rather than NGG plc

E2 – Restriction of Revenue in respect of the Distribution Network Transportation Activity

- We are not clear why 2004 being used as an RPI reference for the new price control.
- Para 4, typo on “excluded services”
- In general, we believe it would be helpful to have the terms in the formula and the subsequent LCs in the same order

E3 – DN allowed pass through items

- The Licence Fee term doesn’t seem to incorporate an estimate within the allowed revenue formula, and the Annex C values are set to zero. If this is correct, then the entire licence fee would be passed through rather than an allowance being made and then adjusted. We believe this may lead to greater fluctuations year on year

E6 – DN Exit Capacity costs and Incentive Revenue

- Some of the capitalisation of defined terms is inconsistent, we believe they should be consistently capitalised.
- The clarity of the drafting would be improved if the order of definitions and terms in the formulae are made consistent
- The definition for NTS Exit Flat Capacity appears to be missing from E1
- The definition if $NTSIC_{v,t,d}$ has a missing “Network” after Distribution. Also in this definition, we are not clear as to why the charge being used is that for t-4.
- Based on our understanding of the drafting of II_t , this includes the interruption allowance, hence please confirm that there is no allowance for interruption within the Z_t term.

E7 – Determination of any adjustment factor to be applied to $MR_t - IAE_t$

- Under part B para 3, there is no text after sub clause (a)
- Under sub clause 3 (c), it is not clear why there is a dip in formula years t=2 and t=3
- After para 4, there is a stray “where” which we believe should be part of para 5
- Para 6(d), there is a duplicate “and”
- There are some inconsistently capitalised defined terms
- Under para 18, we believe the drafting may require further clarifying
- On para 20, we believe that any exceptions made due to confidentiality require justification on a case by case basis, the presumption should be for full publication
- Under para 22, believe IE_t should be IAE_t
- In para 23(c), “respect of” should be inserted before “that year” at the end of the para, as otherwise, it would imply the Licensee could propose an additional relevant adjustment in another year.

- We do not believe that the Authority should require the consent of the Licensee to revoke an IAE after consultation.

E8 – DN Shrinkage Allowance

- Under para 5, we believe WD may require further definition

E9 – DN environmental emissions incentive revenue

- Whilst we do not have specific comments on the text, we are not certain that the formula quite works.

E10 – DN Discretionary Reward Scheme Revenue

- We would welcome clarification on the reference to formula year t-2

E12 – DN Loss of Meterwork revenue driver

- A key formula appears to be missing under para 2

E17 – Allocation of revenues and costs for calculations under the price control in respect of the DN

- We do not agree that the requirement to comply under para 7 should be relaxed from “all reasonable” to “reasonable”

E18 – Excluded Services

- Para 4(d) has an erroneous reference to Appendix 14.
- Under para 5, consideration should be given to excluding the use for regulated assets to provide such services

E19 – Restriction of prices in respect of Tariff Capped Metering Activities

- In (new) paras 6, 7 and 8, paragraph references require updating

E20 – Revenue Reporting and Associated Information to be provided to the Authority

- Whilst we do not have any specific comments on the text, we believe that the LC would be improved by greater obligations in terms of placing submitted information in the public domain and wider consultation on changes to the condition

Appendix 12 – Proposed Standard Special Conditions in part A (apply to NTS and DNs)

A15 – Agency

- Defined terms are inconsistently capitalised
- Para 3(iii) is welcome in terms of costs of the agency being allocated on a transparent basis, but we would appreciate greater clarity on what this means and where the information is to be published
- We believe that the current drafting would exclude “User Pays Services” from the obligations set out in 3 (i, ii, and iii). If this is the case we would prefer that at least some elements of these paragraphs should continue to apply to User Pays Services.

A19 – Provision of services for specific domestic customer groups

- In our view, many of the requirements set out here would be covered in any case by the Disability Discrimination Act.
- In para 5(d) we believe it would be appropriate to include a “reasonableness” provision in terms of the language requirements

A20 – Arrangements for access to premises

- In para 3(e) we believe it would be appropriate to include a “reasonableness” provision in terms of the language requirements

A21 – Procedures for dealing with complaints

- In para 3(d) we believe it would be appropriate to include a “reasonableness” provision in terms of the language requirements

A22 – Reporting on performance

- It would be beneficial to clarify the drafting of para 1 as at present it could be considered ambiguous
- In terms of the “Consumer Council”, we suggest that the drafting should reflect possible successor organisations and that it should be a defined term.
- In respect of the information provided, an obligation should be included to publish performance information relating to all the Guaranteed Standards and a minimum frequency with which the required information should be provided and published.

A34 – Appointment of Compliance Officer

- Whilst not opposed in principle, we do not understand why there might be a requirement to disapply this condition, and would appreciate further clarification.

Appendix 13 – Proposed Standard Conditions applicable to IGTs

SC17 – Provision of services for specific domestic customer groups

SC18 – Arrangements for access to premises

SC19 – Procedures for dealing with complaints

SC20 – Reporting on performance

Our comments in respect of these conditions are equivalent to those on A19-22, and hence they are not repeated in full here. However, the key items are a “reasonableness” provision in terms of the language requirements and full performance reporting provisions.

Appendix 14 – Proposed Standard Special Conditions in Part D – Applicable to GDNs

D9 – DN transportation activity incentive scheme and performance reporting

- In common with other conditions, we believe that this LC lacks proper publication requirements in general.
- Specifically, the LC appears to only require publication of customer satisfaction survey results under paragraph 7, in our view, the whole of the “specified information” should be published on the relevant website

D10 – Quality of Service Standards

- Again, as under D9, para 9 of this LC appears to limit reporting to two specific areas and even that is only required annually. We believe that all performance data should be provided to (or made available to) suppliers on a quarterly basis
- In addition, there is a point in 9b which suggests that certain information is provided for onward transmission to the supplier’s customers. Whilst the data must be made available to suppliers, we believe it would be better to place an obligation on GDNs to have effective signposting such that a customer can obtain the information if they wish, rather than assuming that all customers require it.