

Mr. Stuart Cook
Director, Transmission
Ofgem
9 Millbank
London
SW1P 3GE

11 May 2009

Ref 37/09

RE: Determining Revenue Drivers for Entry and Exit Points: Canonbie and Gilwern

Dear Stuart,

Centrica welcomes the opportunity to comment on the issues raised in the consultation on proposals for determining revenue drivers for entry and exit points. This response is on behalf of the Centrica Group excluding Centrica Storage Ltd. There is no confidential information contained within this response.

Although this consultation specifically refers to the Canonbie entry point and Gilwern exit point there are matters of principle raised with regard to additional entry points and exit capacity which were not foreseen at the time of setting TPCR4.

Chapter 4:

Question 1: Do you agree with the modelling assumptions we instructed National Grid Gas (NGG) to use?

Centrica agrees with the modelling assumptions.

Question 2: Do you agree with the modelling approach used by NGG and its modelling output for the entry point at Canonbie?

Centrica agrees with the modelling approach used by NGG but is unable to comment on the output as absolute values are not published, only % differences between the results.

Question 3: Do you agree with the modelling approach used for the exit point at Gilwern?

Centrica agrees with the modelling approach used.

Question 4: Do you agree with our view that the modelling undertaken meets our request?

Centrica agrees that the modelling undertaken meets the request.

Question 5: Are there any other issues we should have considered in the modelling approaches outlined in this chapter?

Centrica considers that all issues were considered in the modelling approaches.

Chapter 5:

Question 1: Do you agree with our provisionally preferred option regarding costs assumptions?

Centrica agrees with the provisionally preferred option i.e. using the same cost assumptions as employed at TPCR4. Centrica is concerned that NGG has indicated at this stage that significant changes have taken place to the cost assumptions made at TPCR4 but there is insufficient evidence produced in the consultation to justify the use of cost assumptions which are not consistent with those used for other entry points.

Question 2: Do you agree with our provisionally preferred option regarding the remuneration of gas telemetry measuring equipment i.e. Option 2a?

Centrica agrees with the principle that Option 2a is consistent with the revenue drivers which were derived for TPCR4 but now includes the cost of gas telemetry. Centrica is, however, concerned that telemetry was omitted from the calculation of revenue drivers at new entry points at TPCR4 and would like to know whether any other material cost items were omitted.

Question 3: Do you agree with our preferred approach of including a revenue driver of £1,304 per GWh/day per year for incremental exit capacity at Gilwern?

Centrica agrees with the preferred approach.

Question 4: Are there any other considerations which we have not highlighted which we should have taken into account?

Centrica agrees that there do not appear to be any further considerations.

Finally with regard to the overall process we fully support the plan to develop a generic methodology for use until the end of the current price control period and look forward to the opportunity to respond to the consultation on this.

Please do not hesitate to contact me should you require further information about any of these responses.

Regards,

Clive Woodland
Planning & Analysis Manager