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Dear Stuart

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

We welcome the opportunity to comment on the above consultation in respect of NTS revenue drivers.

We understand the requirement of the proposed revenue drivers and believe that their proposed inclusion in the NTS licence would be consistent with the principles adopted when the NTS price control was set.

Of the issues Ofgem has sought views on, we have no particular comments to make on the approach to and results of the analysis requested by Ofgem and undertaken by National Grid Gas (NGG). We also agree that it would seem appropriate to adopt the same principles to set the proposed new revenue drivers with those that were used to set those that are already in the licence. We also support NGG's use of them most up to day system model and data presented in the 2008 Ten Year Statement.

Notwithstanding the above, on cost assumptions, we agree with NGG that if more up-to-date cost information is available it would be appropriate to use it (rather than the unit costs that were used almost three years ago) as long as they can be adequately justified. To do otherwise, could, in our view result in the network being inappropriately exposed to higher costs and therefore overspends.

Ofgem has also asked for views on how to remunerate NGG for gas telemetry measuring equipment. NGG has argued that it is a "fixed" cost and should therefore be recovered separately from, and in addition to, the revenue driver. From the

information presented it does not appear to us that NGG has justified this approach and we are aware that it would increase a further layer of complexity to the existing arrangements. Furthermore, it would seem that other aspects of “lumpy” investment have hitherto been included in the calculation of a revenue driver and, therefore, it would seem that this approach would also be appropriate in these circumstances.

We hope that you will find the above comments useful.

Yours sincerely

Victoria Hunter  
Regulation Manager