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*Promoting choice and
value for all customers*

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22 June 2009

Dear Martin,

Incremental Entry Capacity Release Methodology Statement: Accompanying Audit.

Thank you for your letter dated 22 April in which you seek a derogation from the requirement under paragraph 3, Special Condition C15 of the NTS Licence to provide an auditors' statement to accompany the Incremental Entry Capacity Release (IECR) methodology for 2009.

You have explained that for 2008 the IECR model was essentially unchanged from the previous year. The latest supply/demand forecasts were inputs and that the newly commissioned infrastructure (including new entry/exit points) was included. However, the basic formula for determining reserve and step prices was unaltered. The 2009 model update will be consistent with the 2008 changes. We note National Grid Gas's opinion that for 2009 the IECR audit and auditor's statement would provide little or no benefit to Ofgem, National Grid or the wider industry. We have examined the nature of the information provided by the Audit and consider your analysis is correct. As this is a reasonable request in the current circumstances, we consent to National Grid being relieved from the requirement to supply an auditors' statement to accompany the IECR methodology statement due by 1 July 2009. The notice of consent is being published on our website.

In granting this request we are mindful that while the model remains unchanged it is the key demand and supply forecasts that influence charges. We would expect National Grid Gas to furnish this data should a significant query arise. Finally, we highlight that this approval does not change National Grid Gas's ultimate responsibility for the accuracy of the resulting charges.

Please find the consent attached to this letter.

Yours sincerely

Stuart Cook
Director of Transmission
Signed on behalf of the Authority and authorised for that purpose by the Authority