

Mr. Stuart Cook
Senior Partner, Smarter Grids and Governance
Ofgem
9 Millbank
London
SW1P 3GE

22 November 2010

Dear Stuart,

RE: Notice under Section 23 of the Gas Act 1986 – Special Condition C8A and C8C 3 (b) of National Grid Gas's National Transmission System (NTS) Gas Transporter licence.

Thank you for providing the opportunity to respond to this consultation. This response is sent on behalf of the Centrica Group excluding Centrica Storage Limited.

Centrica has on a number of occasions expressed its concerns with the commercial arrangements at the Fleetwood entry point, related to both the ability of the original capacity bidder to walk away from (or at least defer) its financial commitments, and also National Grid's ability and commitment to collect its full incentive revenue pertaining to the original bid, notwithstanding the events which have occurred since the triggering of the incremental signal.

As also expressed on a number of previous occasions, we strongly support the action now proposed by Ofgem to amend National Grid's transporter licence in order to facilitate the raising of an Income Adjusting Event (IAE) against National Grid.

As set out in our response to Ofgem's earlier informal consultation, we believe that any IAE raised by a shipper would be better facilitated if the proposed licence change went further, to include:

- greater clarity, and indeed latitude, around IAE trigger dates for any given event; and
- a relaxation or removal of the time limit by which an IAE has to be raised.

That said, we note Ofgem's reasons for excluding these two latter provisions from the current licence change; i.e. to prevent this licence change from being viewed as a wholesale price control re-opener, and we have some sympathy with this view. On balance we would agree that it is probably best at this stage to simply restore the original intention of the licence. We will, however, be seeking more robust solutions to the present difficulties as part of the next gas transmission price control, and indeed interim solutions to prevent recurrence during this price control.

In the meantime, we look forward to the coming into effect of this licence change, and any subsequent moves by affected parties to recover what can only be viewed as a windfall to National Grid.

Yours sincerely,

Chris Wright
Commercial Manager