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**Open Letter Consultation: Setting new revenue drivers, updating existing revenue drivers and adding new exit points to the Gas Transporter Licence
March 2011**

Thank you for the opportunity to comment on this matter. This response is provided on behalf of the RWE group of companies, including RWE Npower plc and RWE Supply and Trading GmbH.

These activities are key elements in the connection process and, although not directly related to the physical works, are on the critical path for the connecting parties' project planning. The current lack of formal governance means that connecting parties have limited influence over the process for adding new exit points and setting revenue drivers. There are a number of industry initiatives, including UNC Modification Proposal 0373¹ and work being considered under RIIO-T1 and we look forward to improvements being delivered.

The letter consults on three proposed changes to the Gas Transporter Licence and we comment on each as set out below:

Revenue driver setting for the exit points at Tonna (Baglan Bay) and Pembroke (Phase 2)

We agree with Ofgem's provisionally preferred approach to assume flows of 300 GWh/day at Milford Haven for the modelling. Based on the analysis presented, it appears that National Grid Gas has taken a conservative view of flows when determining the reinforcement work needed to provide the incremental capacity at Tonna (Baglan Bay) and Pembroke (Phase 2). This leads to revenue drivers that are higher than under Ofgem's assumptions and the additional costs do not appear to be justified

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Revision of the revenue driver triggers at Marchwood and Pembroke (Phase 1)

We agree with Ofgem's provisionally preferred approach to revise the project descriptions in the Licence to reflect the amounts signed in the ARCA. It is important to clarify the application of the revenue drivers to ensure that National Grid Gas is able to recover the efficient costs of delivering the incremental exit capacity for each

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¹ UNC Modification Proposal 0373: Governance of NTS Connection Processes

project

Addition of five new exit points to the Licence

We agree with Ofgem's provisionally preferred approach to add the five new exit points to the Licence.

We hope these views are helpful and if you wish to discuss any aspect of them in further detail, please do not hesitate to contact me.

Yours sincerely,

By email so unsigned

Charles Ruffell
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