

Mick Watson
Cost and Outputs
Distribution
Ofgem
9 Millbank
LONDON
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24th November 2011

Dear Mick,

Traffic Management Act Reopener Minded to Response for GDPCR1

1. Thank you for the opportunity to comment on Ofgem's latest consultation, minded to position for the additional income associated with the TMA under GDPCR1. In our response we comment on Ofgem's minded to position using our answers to Ofgem's questions. This is a non-confidential response on behalf of the Centrica Group excluding Centrica Storage.

Do you agree with the proposed adjustments to the revenues associated with TMA for the three GDNs, North London, Southern and Scotland?

2. From the evidence available within this consultation we are happy that the approach taken to assess the GDN applications is robust. It is important that any additional TMA costs are managed as efficiently as possible and so support the approach to use the lower end of the range of costs provided to date.

Do you agree with the proposed principles that have been set and that these should be applied to future TMA re-openers and price controls?

3. Further to this, Centrica agrees that the costs for delivering street works should continue to fall as review and learning is carried out by the GDNs and processes become 'business as usual'. We hope the experience of the National Grid in North London and Scotia Gas in Southern will be shared with all networks, thus improving the value for money for end consumers as all networks reach business as usual more quickly.
4. We broadly agree with the principles employed by Ofgem. We believe only efficiently incurred costs should be recovered for all networks going forward and believe that Ofgem will need to review their assumptions on efficient costs regularly, as more local authorities commence their schemes.

Do you agree with the timeframe within which it is proposed that additional revenues will be recovered?

5. We are comfortable that the proposed adjustments to revenues are recovered in 2012/13, as we believe these additional costs have been communicated to the industry, through 'mod 186' reports, with sufficient notice. However, in general, we would expect the principles outlined when assessing YEDL/NEDL ESQR re-opener to be applied where relevant (i.e. a 4% cap in the real price increase effect of any re-opener)ⁱ.
6. We would note that we have been unable, from the information within this consultation, to translate the reductions in allowed costs, compared to the GDN applications, into the reductions in additional revenues specified. It would be useful, for understanding and transparency, if further details could be provided on this in future consultations.
7. We hope you find these comments helpful, and we are happy to discuss in more detail if you would find this useful.

Yours sincerely,
[Via email]

Rochelle Hudson
Network Regulation Manager
British Gas
Legal and Regulatory

ⁱ See link below for YEDL/NEDL ESQCR assessment

<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR4/Documents1/DPCR%204%20CE%20Reopener%20Minded%20to%20letter%2023%20February%2009%20FINAL.pdf>