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*By email*

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Dear Vanja,

**Re: Impact Assessment on National Grid proposal CMP 192: enduring user commitment**

Thank you for the opportunity to respond to this consultation. Considering the short response timescales, we have only focussed on the key aspects of CMP192.

Our main concerns with regards to CMP192 proposals are:

**Four year notice period**

As we have argued extensively in previous Ofgem/DECC responses, we have major concerns regarding a 4-year notice period for TEC reduction, in particular with regards to post-commissioning generators.

Post-commissioning generators operate in a highly uncertain regulatory, political and economic environment. These uncertainties make the requirement for post commissioning generators to give four years' notice of TEC reduction infeasible. It will in our view simply act as a surcharge on generation, rather help National Grid with their investment planning.

We agree with Ofgem's view that the benefits of a longer notice period may be overestimated by National Grid. In addition, we believe that when considering cost to consumers, efficient network planning is only one of the factors that should be taken into account. It is not unlikely that a 4-year notice period would force some older generators to close earlier than they would have under the existing arrangements. This will also impact on consumers and we believe these costs should also be considered.

We therefore welcome Ofgem's view that different user commitment periods for pre- and post-commissioning generators would not be discriminatory. This would allow for a shorter notice period for post-commissioning generators. However, although there are CMP192 alternatives

with 2-year notice period for post-commissioning generators, we believe we have not been provided with sufficient evidence for the need to move away from the existing arrangements.

## **Grandfathering**

We agree with Ofgem that the CMP192 proposals will result in a reduction in security requirements for all generators. The issue is, however, that the liabilities placed on individual generators could change significantly under these proposals. For some pre-commissioning generators it is the liability and not the security that is the main financial driver. In order to avoid the risk of project cancellations because of possible re-financing issues, we believe grandfathering of existing arrangements should be part of a new enduring user commitment regime.

We appreciate that there may be a number of questions around the details of grandfathering that the Working Group have not been able to address because of the short timescales of the modification process. This is not to say they cannot be further developed by the Working Group before a possible enduring user commitment regime is approved by Ofgem.

## **Regulatory certainty / Further analysis**

Finally, we believe regulatory certainty is key for industry players, in particular at a time when major investments are required in both transmission and generation. We believe it is essential to have an enduring user commitment regime without the need for constant changes. We therefore believe further analysis is needed on the areas below, before a new regime is introduced:

- Grandfathering (as mentioned above)
- Sharing of local works with demand
- Volatility risk of the proposed CAPEX methodology
- Consistent and clear definition of wider and local works

We hope our comments have been useful. Whilst our response is very high-level, we would be more than happy to discuss the modification proposal in more detail if that would be helpful.

Yours sincerely,

Fiona Navesey

Head of Electricity,  
Regulatory Affairs, Centrica Energy.