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*Promoting choice and value for
all gas and electricity customers*

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Date: 13 July 2012

Dear Steve,

Incremental Entry Capacity Release Methodology Statement: Accompanying Audit

Thank you for your letter dated 24 April 2012 which requests that National Grid Gas (NGG) is released from the requirement in paragraph 3 of Special Condition C15 of its gas transporter Licence to provide an auditors' statement alongside the Incremental Entry Capacity Release (IECR) methodology statement for this formula year.

In the letter, you explain that no significant changes will be made to the IECR methodology. The revisions you propose to make will be limited to annual updates of supply and demand forecasts and newly commissioned infrastructure. You consider that as neither of these changes amends the basic formulae for determining reserve and incremental capacity, which sit within the Transportation Model¹, an audit of the IECR methodology statement will provide little or no benefit to Ofgem or other stakeholders.

We have carefully considered your request and decided to grant you consent not to undertake the audit statement pursuant to paragraph 3 of Special Condition C15. We agree that as the underlying formulae which determine incremental capacity release and charging remain unchanged an audit statement would provide little valuable additional information regarding compliance with NGG's duties under the Licence and Gas Act.

In granting this request we note that while the IECR methodology and underlying charging model remain unchanged it is demand and supply forecasts that most influence charges. We would expect NGG to provide this information should a significant query arise. This consent does not change NGG's ultimate responsibility for the accuracy of the resulting charges.

Please find the consent attached to this letter. Both documents are available on our website.

Yours sincerely,

Andrew Burgess

**Associate Partner, Transmission and Distribution Policy
Signed on behalf of the Authority and authorised for that purpose by the Authority**

¹ The Transportation Model is used by NGG to determine reserve and incremental gas charges.