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16<sup>th</sup> September 2013

## Gas Transmission Charging Review – Call for Evidence

Dear David,

Thank you for the opportunity to provide evidence at this early stage of the process. For the avoidance of doubt, this response is not confidential. We have not answered the detailed questions but we would be grateful if Ofgem notes the key points we make below as we progress through this important review.

### Cost reflectivity

We understand that one of the drivers leading to this review is the escalating level of Transport Owner (TO) entry commodity charges which has arisen because of the declining trends in the level of entry capacity charges.

Any change to the Transmission charging methodology must be cost reflective and promote efficiencies within National Grid Transmission (NGT) and not be changed merely to redress the balance between commodity and capacity charges.

As a Gas Distribution Network (GDN) we incur exit capacity costs from NGT which we in turn recover from the Shippers. Whilst we are able to pass these costs on, it is paramount that they are reflective of the costs incurred and therefore protective of the interests of the gas consumer.

### Impact on the RIIO GD1 settlement

Ofgem will be fully aware that the Gas Distribution Networks have just agreed an eight year price control framework including ex ante allowances for NTS Exit costs. The review process must include an impact analysis that considers potential impacts on the Distribution Networks including ex ante cost allowances, incentives and outputs.

24 hour gas escape number  
Rhif 24 awr os bydd nwy yn gollwng

**0800 111 999\***

\*calls will be recorded and may be monitored  
caiff galwadau eu recordio a gellir eu monitro

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In summary, we welcome this important review but we must ensure there are clear benefits of any change which result in benefits to the gas consumer with no detrimental impacts to distribution networks or any other stakeholders.

Yours sincerely,



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