

James Thompson
Ofgem
9 Millbank
London
SW1P 3GE

24 November 2014

Dear James,

RE – Proposed licence modification of Special Licence Conditions 1A, 2A, 5F, 5G and 11C of National Grid Gas Transmissions’s Licence to implement Planning and Advanced Reservation of Capacity Agreements

Thank you for the opportunity to respond to the above consultation. This response is on behalf of the Centrica group of companies excluding Centrica Storage Limited.

In our September response to Ofgem’s informal consultation on this subject we set out our concerns on

- (a) Timing of Decision for Capacity Substitution and
- (b) Sharing the Risk and Costs by National Grid NTS as an incentive to perform.

Your assurances that you will scrutinise NGGT costs and the extent to which they have been incurred efficiently and economically provides some comfort that the wider shipper community and customers will not be automatically exposed to expenditure unreasonably and inefficiently incurred by NGGT. However, we would expect such scrutiny to involve some form of assessment of whether NGGT used its reasonable endeavours where it has failed to secure planning permission in pursuance of a PARCA application.

However, we remain very dissatisfied with Ofgem’s intended approach to capacity substitution and we do not accept the rationale put forward in support of this. We remain firmly of the view that NGGT should request an early decision from Ofgem on whether to allow capacity substitution to proceed in support of a PARCA application and for Ofgem to make that decision at an early stage of the process.

Ofgem are wrong when they suggest that the new process would decouple capacity substitution from firm financial commitments; the security amount/ termination fee provisions of the PARCA were introduced precisely to ensure that PARCA applicants provide a financial commitment to any available capacity that is to be reserved on their behalf, including any capacity to be substituted. During the development of the PARCA UNC modification proposals the workgroup, including Ofgem, placed a great deal of emphasis on this matter and it is notable that concerns about suitable levels of security led to an alternative UNC Modification proposal being developed and submitted to the UNC Panel and Ofgem for consideration.

The consultation document admits that Ofgem might veto a request for capacity substitution “in relatively limited circumstances”. It would be helpful if Ofgem could clearly set out what these circumstances would be and what factors would give rise, alone or in combination, to a veto. If it is not

possible to provide a comprehensive set of factors we would still be very interested in knowing what issues and scenarios Ofgem have considered to date.

We also strongly disagree with the assertion that the risk to a PARCA applicant from a veto by Ofgem on capacity substitution is comparable with that associated with obtaining planning permission (over a lengthy period of time). The capacity substitution risk **should and can be reasonably addressed by Ofgem early in the process**. Had we been made aware of this substitution risk at the time of the consultation on the PARCA UNC Modification proposals our response would likely have been different.

Please contact me if you would like to discuss this response.

Yours sincerely

Graham Jack
Commercial Manager