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Paul Branston
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Dear Paul,

Consultation on Ofgem's draft decision on National Grid Gas Transmission's application under the RIIO-T1 Compressor Emissions uncertainty mechanism

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group, excluding Centrica Storage.

We agree with Ofgem's minded to position not to allow National Grid any additional revenue related to meeting the EU Directives on compressor emissions. Given that Ofgem has presented evidence that suggests that a *reduction* in revenues may be appropriate it cannot be in the interest of customers to allow an *increase* in revenues.

National Grid has put considerable weight on the stakeholder engagement undertaken in this process. We agree that stakeholder engagement was of a high standard and that our views, and those of other stakeholders, were sought and taken account of. However, it is important to understand the nature of this engagement was to assess whether the approach proposed by National Grid was directionally sensible and not to sign-off or rubber-stamp the detailed plans and submissions.

The emphasis under RIIO on stakeholder engagement is a welcome development as an *additional* requirement on network operators. We still expect Ofgem to perform its role in ensuring that specified requirements are met and network plans are efficient and offer value for money. We would be very concerned if the results of stakeholder engagement undermined or effectively replaced Ofgem's own assessment of submissions. If stakeholder engagement was to be used in this fashion we would need to consider carefully how we engage with networks moving forwards if this had the potential to result in less rigorous Ofgem assessment and so the risk of poor value for customers.

In this particular example, given that Ofgem and its consultants have identified that the submission failed to satisfy the criteria set out in Final Proposals and particularly as it is unclear whether more or less revenue is required, it is clearly not sensible to make any changes at this stage. Given the

opportunity to review at the second re-opener window the level of regulatory uncertainty this brings is very limited. The actual activity undertaken, and the cost allowances eventually given, should reflect the most appropriate and efficient solution regardless of what allowances are given and when they are set. We note that this is a consultation on a submission for additional funding, not a consultation on approving a work-plan. Given that there is not a direct link between this consultation and the optimal decisions for delivering compliance, we would be confused if it caused plans to be changed in a way that increased costs for customers.

We hope you find our comments helpful. Please do not hesitate to contact me if you have any questions.

Yours sincerely,

Andy Manning
Head of Network Regulation, Forecasting and Settlements