

FINAL



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Our Ref.
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Dear Eddie,

RE- NTS GCM 09: TO Over Recovery Mechanism

Thank you for the opportunity to comment on the proposed modification to the Gas Transmission Transportation Charging Methodology.

British Gas Trading believes that the proposed modification will provide a better mechanism than the prevailing methodology by ensuring that in the relevant circumstances more excess revenue is returned to holders of NTS Entry Capacity than would currently occur.

BGT notes, however, that if buy-back costs during the formula year are lower than the over-recovery then the residual over-recovery will still feed into K and hence will adjust all TO gas transportation charges during the following year. BGT believes that excess revenue from NTS capacity auction should as far as possible be 'ring-fenced'.

BGT therefore supports implementation of GCM09 but suggests that further development of the methodology is required. There is still a possibility that the refund is not restricted to users of NTS Entry Capacity and more steps need to be taken in order to further reduce the amount of over-recovery feeding into K.

Yours sincerely,

Clive Woodland
Planning & Analysis Manager