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**NTS GCM 09: TO Over Recovery Mechanism
August 2007**

Dear Eddie,

We welcome the opportunity to comment on the issues raised in this discussion paper. This response reflects the views of RWE npower and the UK based business of RWE Trading GmbH.

There have been a number of developments in the entry capacity regime since the PC65 and PC67 mechanisms were introduced to manage auction over-recovery. Given the inherent volatility of using auctions to recover TO allowed revenues and National Grid's licence obligations regarding over and under recovery, it is appropriate to keep the TO over-recovery mechanism under review.

The consultation document identifies a number of weaknesses with the current arrangements and we share National Grid's concerns. We endorse the proposed changes to the trigger and the rebating mechanism as set out in the document. These incremental changes will ensure that the delinking of bidding behaviour and revenue rebating is retained, which we think is important. Also, increasing the extent to which any credits are repaid within a formula year means that these credits are targeted back to entry capacity holders, rather than split between entry and exit capacity via a K adjustment. For the avoidance of doubt, we would welcome confirmation that any credits that are applied retrospectively to buy-backs undertaken before the trigger are apportioned on the same basis as original capacity holdings for that month.

National Grid also highlights potential additional developments to the mechanism and we believe that there is merit in considering these options further in the GTCMF.

We hope these views are helpful and if you wish to discuss them further please contact Steve Rose on 01793 892068 or myself on 01793 893983.

Yours sincerely,

By Email so unsigned

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