

Jemma Spencer  
Regulatory Frameworks  
National Grid  
National Grid House  
Gallows Hill  
Warwick  
CV34 6DA

15 January 2009

**Re: NTS GCM 13: April NTS Exit Capacity Price Changes**

Dear Jemma,

Thank you for the opportunity to comment on the proposed modification to the Gas Transmission Transportation Charging Methodology. This response is on behalf of the Centrica Group excluding Centrica Storage Ltd. There is no confidential information contained within this response.

British Gas Trading (BGT) believes that it is desirable to have stable and predictable prices. We understand that due to the misalignment of the gas year and formula year, there is a phasing effect which then translates to an over or under recovery of revenue and leads to volatile exit capacity prices.

As indicated in the clarification note and updated consultation for GCM13, the AQ review may have an impact on the amount of exit charge revenue collected. Since this AQ review occurs after August, it may be appropriate to notify of a possible April price change after the 1<sup>st</sup> of August once more definitive information about exit charge revenue is known.

In addition, as this GCM13 consultation seeks to address volatile exit prices by recalculating April (year Y + 1) exit prices by adjusting year Y target revenue only, it is important to note that this is not a long term solution. If exit charges are changed in April (year Y + 1) under Option 4, the intended effect of GCM13 (stable exit prices) could start diminishing by the following October (year Y + 1).

Notwithstanding the fact that an April revenue adjustment for exit capacity prices is not a long term solution, it does seem sensible that it would be useful at the start of a new Price Control where there may be a significant shift in allowed revenue leading to increased volatility in exit prices. However, it was noted at the TCMF that Exit Reform could very well erode the large fluctuation in exit capacity prices in 2012, but this would not have effect until the second half of 2012. This may mean that some type of April 2012 revenue adjustment could be needed to clear any remaining effects of exit capacity price volatility before Exit Reform starts.

To this end, BGT supports GCM13 Option 4 so that a change is made to the charging methodology allowing exit capacity prices to change in April without requiring the most up to date supply information. Furthermore, as with all charging changes we would expect transparency with such a change indicating the revenue change adjustment required in



recalculating the exit capacity prices with the release of the revised (revenue and charges sections only) NTS Transportation model used in generating the new charges.

Should you have any questions regarding the comments in this response please do not hesitate to contact me.

Yours sincerely,

(by email)

Audrey Luksicek  
Senior Analyst  
Gas Supplies, Transportation, CE