

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

Your ref
Our ref
Name Steve Rose
Phone 01793 892068
Fax 01793 892981
E-Mail stephen.rose@rwenpower.com

10th December 2008

GCM13: April NTS Exit Price Changes

Dear Jemma,

Following the clarification notes issued on the 24th November and 9th December, we understand this consultation now relates solely to whether National Grid should seek Ofgem's approval to make a change to their charging methodology such that in the event they were to propose potential one-off NTS exit price changes in April these would be recalculated without updating network, supply or demand data.

National Grid is required by Special Condition C7 of its licence to use its reasonable endeavours not to change its transportation charges more frequently than twice in each formula year and not to make any changes to NTS exit capacity charges more frequently than once in each formula year on 1 October. It is also required to use its reasonable endeavours not to change its charging methodology more frequently than twice in each formula year and only to make changes to the charging methodology in relation to NTS exit capacity on 1 October in each formula year, or at such other time as the Authority may by notice in writing direct.

National Grid is therefore entitled to propose changes to NTS exit charges and charging methodologies outside of the typical 1 October effective date, although the clear implication of the licence condition is that such changes should be avoided wherever possible. To the extent National Grid does consider it necessary to make one-off NTS Exit price changes outside of the 1 October effective date in future we support these being based on the same network, supply or demand data used for the 1 October change. Using more up to date data introduces the risk of significant and unpredictable mid year price volatility at certain exit points, which is inconsistent with National Grid's objective to facilitate effective competition.

We do not support a one off NTS exit price change in April 09, although we understand that National Grid no longer consider this necessary due to the fact that changes resulting from the 2008 AQ Review are likely to result in a decrease in forecast transportation revenue for formula year 2008/9.

Nor do we support the principle of implementing one-off NTS exit price changes specifically for the purpose of reducing volatility, although we recognise there could be certain circumstances in future (particularly under the enduring exit

RWE npower

Trigonos
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782

regime) where such measures might be appropriate particularly if GCM 12, which seeks to split the licence term TOKt into separate entry and exit components, is not approved.

Whilst National Grid's desire to reduce volatility of transportation charges is well meaning we believe that with the publication of the transportation model, National Grid's licence obligation to change prices typically only once each year and separate entry and exit over/under recovery, shippers are now better able to mitigate their exposure to volatility by making informed predictions of future prices.

Yours sincerely,

Steve Rose*
Economic Regulation

* sent by e-mail and therefore not signed