

Chris Logue
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03 March 2008

RE: System Management Principles Statement Annual Consultation 2008

Dear Chris,

Thank you for the opportunity to respond to the 2008 System Management Principles Statement Annual Consultation. This letter is not confidential and may be placed in its entirety on your website.

The following comment is offered by Centrica Storage Ltd:

CSL proposes changes to the System Management Principles Statement (SMPS).

CSL recommends that a procedure is defined which considers the use of other system management tools for the revocation at the earliest possible opportunity of a TFA notice. TFAs provide NGG with a free option to manage entry capacity constraints and given the existence of evidence of a TFA being utilised as a precautionary tool during which time other capacity management tools could have been invoked to have the same affect on the network, it is important to prescribe when and how a TFA should be revoked.

On the 25th of January 2007, a TFA was used to address a transient pressure issue at Easington. Although the pressure was back within normal limits very quickly, the TFA was left in place for 9 hours. CSL believes that NGG should be compelled to use market tools to allow the market to determine the most economically efficient action in such circumstances. The market must be allowed to return to uncompromised operation as soon as possible.

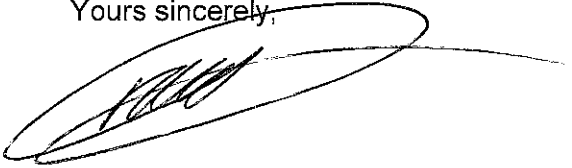
The invoking of a TFA should not restrict the use of other capacity tools post invocation and where these tools can allow a TFA to be lifted they should be used at the earliest opportunity. For example, if a TFA is invoked at 7am to reduce flows immediately, buy back of capacity should also commence to reduce the available capacity to levels that can be accommodated on the system taking effect from 9am, thus allowing the TFA to be revoked.

We recommend that in section 3.3, the word "appropriate" should be defined because in its current form, the potential breadth of its interpretation gives NGG excess discretion over how it manages constraints, leading to unnecessary uncertainty amongst shippers around how NGG may act. We believe that definition should be as follows: "appropriate use of the buyback mechanism will restrict the

system capacity to a level that will allow safe system pressures either to avoid the invocation of a TFA notice or to revoke a TFA already in place”.

CSL hopes that you that will take our view into consideration and we are happy to discuss our letter with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'CPurdie', is enclosed within a large, hand-drawn oval. A long horizontal line extends from the right side of the oval across the page.

Craig Purdie
Regulatory Analyst