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23<sup>rd</sup> March 2009

Dear Andrew,

**RE: Consultation on the NTS Exit Capacity Release Methodology Statement (ExCR) in Respect of the Transitional and Enduring Exit Periods**

Centrica Storage Ltd (CSL) has been involved in the numerous industry workshops focussed on the enduring NTS Exit regime and welcomes the opportunity to respond to the above consultation. CSL offers the following view:

CSL understands that National Grid (NG) undertook a short informal consultation on the changes to the ExCR to which it received feedback on a number of issues that are detailed in the appendix to the consultation letter. CSL has considered NG's response to the issues:

- ARCA commitment in the Transitional Exit Period: CSL agrees that the ARCA commitment in the Transitional Period should be aligned to that in the Enduring Period to avoid any undue incentive in applying for ARCAs in the Transitional Period as the 4 year User Commitment could be avoided under the current arrangements
- Early satisfaction of the User Commitment: CSL supports the early satisfaction of the User Commitment amount as this is now reflective of the discussions which were held at the Review Group workshops tasked with designing the enduring regime. This also provides a degree of certainty to Users in that they are aware of the extent of their liability regardless of the degree of variance in capacity charges.
- NTS Exit Point and Revenue Driver in Licence: CSL understands the need for this process and welcomes that the provision of this information ahead of the application window does not create a commitment to formally apply. That said, however, this was not flagged by NG or Ofgem in the exit reform workshops and CSL therefore encourages NG and Ofgem to seek to improve the application process

CSL also notes NG's request for views on how to manage the issue of the User Commitment associated with capacity increases above baseline that were allocated before 1 October 2008. As the initialisation process pares capacity back to baseline levels, those with firm capacity above baseline applicable in the transitional period

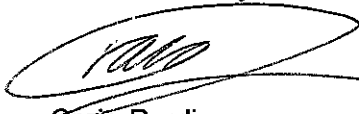
will be subject to a four year User Commitment if they signal for the capacity in the July application window for use in the enduring period. CSL believes that this is inappropriate given that the issue seems to be one related to the miss-timing between setting baselines and the implementation of exit reform and is no fault of the User. CSL sees that the solution NG proposes could work but would welcome a separate consultation on this issue consulting on the Users' views submitted through this consultation on how to best manage the issue.

Continuing in the theme of setting of baselines, CSL believes that the situation discussed could have been avoided somewhat if NG had undertaken a review of baselines before the exit capacity initialisation process begins. This revision would also have taken into account the associated impacts of entry investment on exit capability thus reducing the total level of User Commitment and risk borne by Users in relation to the new regime. CSL understands that NG has a licence obligation to conduct this exercise from time to time and is disappointed that this has not been done in time for the initialisation of the new regime.

Beyond these concerns, CSL has considered the ExCR and it seems fit for purpose and in line with our expectations.

If you would like to discuss any aspect of this response, please contact me on the number below.

Yours sincerely,



Craig Purdie  
Regulatory Analyst  
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