

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

20 March 2009

RE: **NTS GCD06 Consultation**

Dear Jemma,

Centrica welcomes the opportunity to comment on the issues raised in the consultation on the Charging Methodology discussion document relating to Supply and Demand Balancing Rules in the Transportation Model. This response is on behalf of the Centrica Group excluding Centrica Storage Ltd. There is no confidential information contained within this response. We also attempt to answer the questions posed in the consultation document.

Centrica generally supports the idea of changing the supply and demand balancing rules although we have concerns over both National Grid's preferred option and the alternatives presented in the discussion paper. We believe that under certain circumstances, namely if the balance position were to fall in group 1 of Option 3, then for example beach supplies would be reduced more than they ought to be while LNG importation terminals would be reduced less than they ought to be.

While we would not support a smoothing which involves a reduction of all supplies we do believe that some form of smoothing of the storage and import supplies should be applied. We have also considered two further options: Method 8 is a dynamic alternative to Methods 5 & 6 and Method 9 is a variation somewhere between the prevailing method and Method 3.

Methods 8 & 9 are both based on use of six groups of supplies and look to see which group is the balancing group in the order

- 1) Beach supplies
- 2) Interconnectors
- 3) Long-range storage
- 4) LNG Importation
- 5) Mid-range storage
- 6) Short-range storage (LNG)

Note that groups 3-5 appear in a different order than in the prevailing methodology.

Method 8 is to scale the balancing group and all lower priority groups i.e. if LNG Importation is the balancing group then this is the same as Method 5 and if Mid-range storage is the balancing group then this is the same as Method 6. This method would also work better in the event that either Long-range storage or Short-range storage became the balancing group in future.

Method 9 is to only scale the balancing group, all lower priority groups are set to 0.

We would further suggest that the order of groups in Method 1 could be altered to be the same as that used in our Methods 8 & 9 and that this would give better results than the current order.

Turning to the specific questions asked in section 6 of the consultation we wish to make the following comments:

- Centrica agrees that the preferred option has some merit and is transparent but we do not believe that it will necessarily give cost reflective prices.
- Centrica agrees that the other options presented in the discussion paper are less likely to give cost reflective prices.
- Centrica considers that two further options may be more likely to give cost reflective prices than the option preferred in GCD06.
- Centrica considers that data should continue to be taken only from the most recent Ten Year Statement
- Centrica considers that the Ten Year Statement continues to be the most appropriate source of supply data.
- Centrica would like to see analysis of an amended order in method 1 and also methods 3, 8 & 9 for a single year under a range of supply and demand conditions.

If you have any queries in relation to this response, please do not hesitate to contact me.

Clive Woodland  
Planning & Analysis Manager  
Gas Supplies  
Centrica Energy

*T: 01753 431061  
M: 07769 548487  
E: [clive.woodland@centrica.co.uk](mailto:clive.woodland@centrica.co.uk)*