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RE: **GCD07**

Dear Debra,

Centrica welcomes the opportunity to comment on the issues raised in the discussion document GCD07. 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.

Methodology – Cost assignment

_ Q1. Do respondents consider the cost assignment under methodology option one or option two, to be most consistent with the relevant objectives? Do the methodologies;

- o Reflect the costs incurred by the licensee?

We believe that option two is most cost reflective

- o Take account of developments in the transportation business?

We believe that option two takes account of developments in the transportation business.

- o Facilitate effective competition?

We believe that option two better facilitates effective competition

_ Q2. Do respondents have any views on the appropriateness of the costs and parameters used in the derivation of the tariff under option one? Specifically;

- o The connection cost approach?

We are not convinced that it is appropriate to use a connection cost in a commodity charge.

- o The annuitisation period; 10 years, 45 years or other?

The appropriate annuitisation period is 45 years.

- o The load factor?

The most appropriate load factor would be site specific but we can understand the reasons for wanting to use a common load factor for all optional commodity charges. We do, however, consider that this should be more reflective of these loads rather than using the system load factor.

_ Q3. Do respondents have any views on the appropriateness of the costs and parameters used in the derivation of the tariff under option two? Specifically;

- o Whether the minimum cost should be based on a connection cost approach or a proportion of the SO costs related to short-haul?

We believe that optional commodity charges should be related to distance, size of load and load factor rather than connection cost. Hence the minimum charge could be very low for short distance, large load with a high load factor.

- o Whether the SO costs associated with short-haul (34% for the indicative charges) should be set on an annual basis or fixed, based on a long term trend?

We believe that the SO costs associated with short-haul should be set for the duration of a price control (5 years) rather than varying annually.

Issues common to either option

_ Q4: Do respondents have any views on the application of the methodology?

Specific comments on the following are requested:

- o Distance from the exit point to the ASEP – in the case of ASEPs with more than one SEP is it appropriate to measure the distance to the nearest SEP?

It is appropriate to measure the distance to the nearest SEP.

- o Load factor – is it appropriate to use a system load factor or an exit point load factor?

It would be more appropriate to use an exit point load factor but we can understand the reasons for using a system load factor

- o Minimum charge – should there remain a minimum charge? If so, what level should this be set at? Should this be related to the exit point capacity (EPC)?

We agree that there should be a minimum charge and suggest 0.0001 p/kWh.

- o Annual updating of charge – should the charge be updated in parallel with other transportation tariffs?

We would support an annual update, ideally on 1st October each year.

o Application to multiple exit points from a single entry point – do respondents agree that the present default allocation rule should apply when the input allocations are below the output allocations?

We do not agree with this. Either the default should be changed to use a priority order working from the lowest applicable charge upwards or else users should be free to choose their own priority order, with the current default retained as an option. Users should also have the ability to change priority at short notice.

o Application at storage exit points – do respondents agree that the ‘short-haul’ tariff should not be applicable at storage exit points?

In principle this is a sensible restriction.

o Do respondents agree that the charge should only be applicable to the exit points that are connected between an ASEP and the next downstream compressor?

In principle this is a sensible restriction. There are cases, however, where there are a number of entry points which may be considered as upstream of the same compressor. The charge should then be applicable from any entry point to any exit point within the zone created.

Implementation

_ Q5: Do respondents support either an implementation date of 1st October 2010 or an alternate implementation date?

We support an implementation date of 1st October 2010.

One further comment – the current rate formula on page 3 is incorrect, the first constant should be 1203 and not 1230 as printed.

Please do not hesitate to contact me should you require further information about any of these responses.

Regards,

Clive Woodland
Planning & Analysis Manager