



Jan Gascoigne  
Regulatory Frameworks  
National Grid  
NG House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Wales & West House  
Spooner Close  
Celtic Springs  
Coedkernew  
Newport NP10 8FZ  
T. 029 2027 8500  
F. 0870 1450076  
www.wwutilities.co.uk

Tŷ Wales & West  
Spooner Close  
Celtic Springs  
Coedcernyw  
Casnewydd NP10 8FZ

22 November 2006

Dear Jan

### **NTS GCM01 Consultation**

I am writing further to the consultation paper issued on 2 November 2006 on behalf of Wales & West Utilities, please find our comments below.

This consultation has been raised by National Grid as one of the consultations relating to Enduring Arrangements. However this is, by necessity, being carried out in isolation from any proposals from Ofgem on DN incentives. WWU will be responding to Ofgem regarding the changes to DN risk brought about by this document and the Enduring Arrangements.

Whilst we recognise that charging methodologies and pricing are required to be cost reflective, it is apparent from the information supplied that these changes have the potential to adversely impact customers within the DN. The move to cost reflective prices has already seen price gradients developing across the UK as this is further enhanced these gradients will become steeper.

The comments below relate to key issues within the consultation paper.

#### **Spare capacity:**

We would welcome the opportunity to discuss this further particularly to understand the impact on final prices.

#### **Feedback on Options:**

The consultation appears to favour the Transportation Model Approach. Our concern is the apparent major impact on Exit Capacity charges from current to proposed method. It is difficult for us to support this option given the impact on prices to customers within our network although we recognise the theoretical argument for improved cost reflectivity. In addition there appears to be a distortion to the model because using Transcost the South Wales (WA2) exit charges reflects known system developments but this is not the case when using the Transportation model.

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Rhif 24 awr os bydd nwy yn gollwng

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Wales & West Utilities Limited  
Registered Office:  
Wales & West House, Spooner Close, Coedkernew, Newport NP10 8FZ  
Registered in England and Wales: No. 5046791



**Transparency & Repeatability:**

WWU welcomes any work that aids transparency and repeatability, however this cannot be taken in isolation from any adverse impacts on the distribution business.

**Supply and Demand Forecast:**

We note in the paper that the prices are extremely sensitive to the supply and demand forecasts chosen. WWU see this as a significant increase in risk and would welcome further work to mitigate this risk.

**Tariff Model:**

WWU strongly believe that exit capacity charges must recover the allowed TO revenue. We understand this has already been discussed with further consultations to follow.

If you require any clarification about the points raised, please contact Steve Edwards, Head of Income & Pricing on 029 2027 8836 or [steven.j.edwards@wwutilities.co.uk](mailto:steven.j.edwards@wwutilities.co.uk).

Yours sincerely,

Liz Spierling  
Commercial Manager, Transportation