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Modification Proposal 261: Annual NTS Exit (Flat) Capacity Credit Arrangements

Dear John,

RWE npower supports the above Proposal.

We agree that it is appropriate to amend the Uniform Network Code so that Annual NTS Exit (Flat) Capacity holdings are no longer allowed to lapse until such time as a User puts security in place to cover the 12 month forward looking cost of such capacity. Should a User fail to put in place the required security it may be subject to the sanctions of UNC TPD Section V.3.3.2 until such time as the capacity charges become due, or could be issued with a Termination Notice immediately (in accordance with UNC TPD Section V.3.3.3), and we believe these are proportionate remedies in such circumstances.

The Proposal should discourage Users from speculatively applying for Annual NTS Exit (Flat) Capacity in the Annual Application Window, thus furthering the relevant objective of securing effective competition by reducing the risk that under recovery of allowed NTS revenue will be unfairly smeared across all Users. However we believe there is a wider question of whether it is appropriate to allow the capacity revenue resulting from new NTS Exit (and Entry) points to be included in National Grid's allowed revenue under all circumstances, which needs to be considered as part of the next Transmission Price Control.

Yours sincerely,

Steve Rose*
Economic Regulation

* sent by e-mail therefore not signed

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