



Chandima Dutton
Transmission Asset Manager
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Centrica Energy
2nd Floor Millstream East
Maidenhead Road
Windsor
Berkshire SL4 5GD
Tel. (01753) 431059
Fax (01753) 431150
www.centrica.com

Our Ref.
Your Ref.
19 March 2008

Dear Chandima,

RE: Transmission Planning Code

Thank you for the opportunity to comment upon National Grid's draft scoping document for the forthcoming Transmission Planning Code.

British Gas welcomes the introduction of the Transmission Planning Code licence obligation upon National Grid and believes that, if implemented fully in the spirit that we believe was intended by Ofgem, this has the opportunity to provide significant transparency and understanding to what has to date been seen as something of a "black box" to many NTS Users.

That said, we do not believe that the draft scope for the Transmission Planning Code which is the subject of this consultation will fulfil the spirit of what was proposed, and offer below more detailed comments on where we believe the draft scope is deficient.

Prior to this, however, we wish to express our disappointment at the extent to which the current licence condition has been diluted compared to the draft licence condition published on 26 January 2007. The scope of the licence condition as published at that time included the ability for persons and parties other than National Grid to put forward proposals for modifying the Transmission Planning Code (C11 paragraph 6). Such a mechanism would have been extremely valuable to any User who wished to gain a better understanding of Transmission Planning matters that were not covered by a Code in place at that time, and could have proved to be invaluable to new market entrants in particular.

We note that the removal of this obligation is at odds with the current and ongoing debate, stimulated by Ofgem's review of industry code governance, where a number of stakeholders have expressed considerable support for the principle of Transporter Codes and Statements being subject to industry wide governance arrangements.

A *centrica* business

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy
Registered in England No.3033654. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

We also note the demise of the original licence condition proposals that the Transmission Planning Code should cover:

- all material technical aspects relating to the operation of the NTS; and
- a method to determine linepack or flexibility available at each node of the network.

These dilutions also contrast sharply with current industry debates around SO Incentives and the operation of the NTS, and also the NTS Exit reform proposals, some of which specifically include Flexibility as a product, and the monitoring of Flexibility usage.

We can't help feeling that this has been a lost opportunity to enhance significantly NTS information transparency.

Draft Scope

Moving on to the scoping document, we set out below our thoughts on changes that we would like to be included before this document becomes fixed.

1. Legislative guidance documents

We agree with the inclusion of this section, and would strongly encourage National Grid not only to reference the relevant legislation and associated guidance documents, but provide a simple, easy to follow narrative on the practical implications of each piece of legislation (caveated if necessary). Within this section we also consider it imperative that National Grid clearly sets out the legislative background to its Safety Case, and how this impacts upon National Grid's network planning and development. We would also look for National Grid to update the Planning Code periodically to set out the potential implications of proposed (draft) legislation where these could have a significant impact upon the NTS and its operation, with draft impact assessments for draft legislation and final impact assessments for legislation that has been passed.

2. Planning legislation and process

We agree with this section but, as above, believe it would be helpful for National Grid to update the Code periodically to set out the potential implications of proposed (draft) legislation. We also believe it would be helpful for National Grid to set out how changes or proposed changes to legislation could impact upon capacity delivery lead times.

3. National Grid policies applicable to the NTS

We note that section 3 does not actually state what National Grid intends to publish, it simply states that National Grid has internal policies and sets out examples of the subjects covered by these policies.

We consider this to be insufficient, and would like to see a firm statement(s) to the effect that National Grid intends to publish all of the internal policies that come into play when considering changes to the NTS, and should also list those policies along with the next schedules review dates. National Grid should also set out how it will include new or changed policies within the Code, and communicate to stakeholders when there has been a change.

Included in this section would be considerations in respect of National Grid's Safety Case, and whether any planned changes to the NTS will impact upon this – either positively or negatively. Equally importantly, this section should set out in detail National

A *centrica* business

Grid's considerations of its exposure to risk, whether this be buy-back risk or other risk factors, and the assumptions it uses when assessing risk.

4. Network analysis techniques

This section states that National Grid will describe at a high level how it applies network analysis techniques. We believe that the description should be sufficiently detailed so as to provide Users with confidence that, for example, exchange rates offered within an entry capacity process, be it Trade and Transfer or Substitution, are realistic and fair. In order to support this, National Grid must make available the network model that it uses, or at the very least the data that underpins the network model.

5. Supply and Demand Outlook

Whilst we support the User commitment model for signalling investment, we have always maintained that this should not be the sole driver of investment in the NTS. We also value highly the TBE process. We are not clear, however, the extent to which National Grid relies upon data from the TBE process to develop investment plans and make investment decisions, and believe that the Planning Code must set out in detail the link between TBE and investment. It should also set out, or allow stakeholders to establish, the link between TBE derived investment and User commitment triggered investment, and the proportion of any individual project which is attributed to each process.

Additional requirements

Whilst we welcome this draft Scope as far as it goes, we are not persuaded that it addresses the Licence requirement in respect of providing a methodology to determine the physical capability of the NTS. In particular, we do not believe that the information which National Grid currently proposes to publish within the Code in any way provides "...a methodology to determine the physical capability of the pipeline system...". Key deficiencies would appear to be an inability for any stakeholder to assess:

- the amount of capacity that may be transferred or traded between entry points;
- the impact of incremental gas flows upon system capability;
- statutory network security standards

It is also not clear to us how the information proposed to be included within the draft Scope for the Code sets out National Grid's detailed assumptions in respect of (i), (ii), or (iii) under paragraph 3 (b).

In addition, it needs to set out details on the process for how the Code will be updated, how consultations will be carried out, and how views will be taken into account.

We are also mindful of the proposed/emerging obligation on TSOs, stemming from the Third Package, to develop co-ordinated indicative regional investment plans, in this case for NW Europe (including Ireland/NI as well as the near Continent). Whilst we recognise that these regulations are still being developed, we consider that many TSOs will wish to commence work towards compliance at an early stage, and therefore believe that the National Grid Planning Code should also require NGG to state how it has taken regional (cross-border) flows/demands into account in its planning.

A *centrica* business

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy
Registered in England No.3033654. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

Please do not hesitate to contact me if you need any clarifications or details relating to this response.

Yours sincerely,

Chris Wright
Commercial Manager

A **centrica** business

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy
Registered in England No.3033654. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD