

*Submitted by Centrica Storage by email*

Tim,

In response to your email below, I would be grateful if you could pass on the following comments to National Grid to help its development of options.

At the two Transmission Workstream meetings held in support of the entry capacity re-consultation on 14th and 17th August, Ofgem and NG NTS provided hitherto undisclosed details of the events, including a detailed explanation of the modelling work, which occurred between Ofgem's Update Proposals published 25th September and Final Proposals 4th December 2006. This transparency was broadly welcomed by the participants and helped to reinforce the point that the setting of baselines is not only extremely challenging but also highly dependent on modelling assumptions such as forecast supply patterns. Indeed NG NTS' own proposals comprised of a possible range of aggregate baseline from 976GWh/d to 6940GWh/d, some 2000GWh/d!

In the light of information disclosed at the two meetings CSL believes that the scope of this re-consultation must include a review of the aggregate level of baseline capacity as well as the allocation of capacity. Further we believe that to provide the requisite assurance that the aggregate level of baseline capacity reflects the appropriate balance of risk and reward, the modelling work must be subjected to external audit.

We remind you that employing external auditors to review key price control elements is not without precedent; Ofwat has subjected water companies' hydrological models to external scrutiny to ensure that allowances are set at an efficient level.

With regard to allocating the unallocated capacity we agree that there is a need to take into account physical capability and that it needs to be broadly commensurate with the buy back target, we do not, however, believe that new baselines should be constrained to not exceed previous obligations.

We hope that you find the comments made of use and please do not hesitate to contact any of the signatories if you wish to discuss further.

Roddy Monroe

Regulation Manager  
Centrica Storage Ltd