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6th January 2009

NTS GCM 14: Constrained LNG Credits

Dear Debra,

RWE npower welcomes the opportunity to comment on the above consultation and does so on behalf of all its licensed gas businesses.

We support the key elements of the proposed methodology, namely that Constrained LNG (CLNG) credits should be determined based on the LRMC at the relevant CLNG node (rather than exit charges at the zones the CLNG supports) and on the 1 in 20 peak day CLNG deliverability requirement (rather than the space monitor requirement averaged over the forecast duration of days required). Collectively we believe these measures will lead to greater cost reflectivity and should avoid the perversity of National Grid not always being incentivised to economically invest to reduce the need for CLNG, which could arise under the prevailing methodology.

Whilst we support the proposed methodology we should point out it is not immediately transparent to us what the parameters that directly influence the CLNG credit under the prevailing methodology (i.e. the space monitor requirement and the forecast duration of days required) have been historically, what they represent and how they have been set. Whilst the proposed new methodology is not directly influenced by these parameters (being influenced only by the peak day deliverability required) we would welcome greater visibility in this area such that shippers can have full confidence in the CLNG credits going forward.

Any increase next year in the space monitor requirement, or a reduction in the forecast duration of days required, would significantly increase the annual discount that would have arisen under the prevailing methodology. It will be interesting to contrast this with the annual discount that would arise under the proposed new methodology in light of the fact that the constrained storage target costs under Special Condition C.8.E.1.c.i of National Grid's licence were set based on the prevailing methodology and that this target doubles in formula year 2009/10.

Yours sincerely,

Steve Rose*
Economic Regulation

* sent by e-mail therefore unsigned

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