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6<sup>th</sup> August, 2010

Dear Paul,

**Re: Transmission Price Control Review (TPCR5) – Preliminary Stakeholder Consultation**

Centrica welcomes the opportunity to respond to this important consultation. This non confidential response is on behalf of the Centrica Group of companies excluding Centrica Storage Ltd.

We are the largest integrated gas and electricity company in Great Britain that does not own any energy network interests. We are therefore uniquely placed to provide an unconflicted perspective on the Price Control Review (PCR), a perspective well aligned with that of end consumers.

We are pleased that National Grid (NG) recognises the importance of stakeholder contributions to the review process, and is leading the way in consulting stakeholders as to their preferences. We particularly welcome NG's commitment to continue the stakeholder consultations on a regular basis after the PCR to ensure that delivery is continually shaped by stakeholder views. We are happy to continue to support this process.

Centrica takes an active role in responding to PCRs, committing time and resources to providing constructive, well researched papers, and responses to move the process forward. We believe therefore that while it is essential that NG consult a wide range of stakeholders in during the PCR process, it is vital that the consultation and information provided is effectively tailored to the audience in order to make the process as productive as possible from both sides.

The next decade will be vital in determining the future shape of the networks as the GB energy landscape changes and transitions to one that is increasingly low carbon. NG must play a key role in helping to resolve the trilemma at the heart of energy policy.

NG has rightly identified high level themes such as safety, reliability and market facilitation as key. We

agree these are important, but they are very general in nature. We believe that equal prominence should be given to more specific requirements, such as the costs faced by consumers; the economic and efficient operation of the system; market evolution; smart grids; supporting innovation/new technologies and anticipatory investment. The approach will need to be flexible enough to evolve over time.

Under each of these areas, careful consideration must be given to the best method of achieving the stated objectives while ensuring a non discriminatory approach is applied to maintain strong, healthy and competitive markets. Careful control over costs (which are ultimately borne by consumers) will be especially important over the next few years, as NG and the other network companies respond to the need for substantial investment in tight timescales, to meet the Government's climate change commitments.

In terms of the information provided to stakeholders, Centrica has consistently argued for improved transparency of information at an early stage. While we accept that different stakeholders will have varying requirements in respect of the information they want/are able to use, this should be facilitated where stakeholders such as ourselves are able and willing to invest the time and effort necessary to contribute to the process at a detailed level.

We believe that moving into the post RPI-x@20 review world, this will be increasingly important. Given Ofgem's proposals around PCR appeals, it will be in the network companies' best interests to ensure that interested parties are well informed and fully understand networks' business plans and investment proposals. In order to meet qualifying criteria for appeals, the 3<sup>rd</sup> party will need to demonstrate that they have engaged effectively with Ofgem, Network Licensees and any other relevant party. Centrica has demonstrated such commitment over a number of years: we look forward to working closely with NG and the other network companies during the forthcoming PCR processes.

As well as improving transparency during the PCR process, it will be important as part of the review to plan how NG will continue to provide such transparency between PCRs. This activity will need to include arrangements for reporting expected and actual price control revenues - to assist suppliers in forecasting the future path of transmission charges. Improving all suppliers' abilities in this area will help support the development of a wider range of products, increasing consumer choice.

As the PCR process continues, there should be consideration at an early stage of the financial and distributional impacts of any proposals put forward. It is common during PCRs that the consumer impacts are reported relatively late in the process. We believe that detailed quantitative evaluation should be published early on in order that stakeholders can consider overall impacts in their responses. This principle should be applied to both general and incentive revenues; we also recommend that cost recovery should be considered as part of the process.

The timeline setting out consultations and business plan development appears sensible overall, allowing time for NG to consult stakeholders to feed in to the development of "richer" business plans. However, we believe it would be helpful to include a feedback loop in which NG communicates back to interested stakeholders as to how their contributions have been used in business plan development and offers a window for further comment. While not all stakeholders will wish to be involved to this

level of detail, the opportunity should be offered. We would recommend this takes place prior to submission of the plans to the regulator.

As a minimum, the proposed consultation periods appear to allow sufficient time for participants to consider their responses carefully. We strongly support this and encourage NG to ensure that this continues to be the case. With 6 transmission controls and 8 distribution controls being developed and consulted upon in the same timescales, we would encourage NG to allow longer consultation periods if possible. NG Distribution has also issued a similar consultation to this one; it is notable that the proposed consultation periods appear identical in both the transmission and distribution controls. It may be helpful to consider whether it may be possible to offset any of the consultations to distribute the consultation load more evenly.

In our view, NG has generally correctly identified the key stakeholders for the gas and electricity TPCR<sup>1</sup> and the most appropriate consultation methods have been identified. It may be helpful to consider additional initial briefings tailored to particular stakeholders to improve the level of understanding of the current price control early in the process. As PCRs are carried out at lengthy intervals and are highly complex, such briefings may help improve the quality of responses later in the process. While information provided on websites may be of value, clear signposting is required and detailed explanation.

We hope these comments have been helpful, and would be happy to discuss them in more detail if you would find this useful.

Yours sincerely,

*Sent by email*

Alison Russell  
Senior Regulation Manager, Upstream Energy

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<sup>1</sup> The list does not seem to include electricity suppliers, which we assume to be oversight as gas suppliers are included