



Steve Fisher
Acting Gas Access and Charging
Development Manager
National Grid
National Grid House
Gallows Hill
Warwick
CV34 6DA

*Promoting choice and value for
all gas and electricity customers*

Your Ref:
Our Ref:
Direct Dial: 020 7901 7009
Email:
gas.transmissionresponse@ofgem.gov.uk

Date: 31 August 2010

Dear Steve

Incremental Entry Capacity Release Methodology Statement: Accompanying Audit

Thank you for your letter dated 13 July in which you request that National Grid Gas (NGG) be released from the requirement in paragraph 3 of Special Condition C15 of its gas transporter Licence to provide an auditors' statement in accompaniment with the Incremental Entry Capacity Release (IECR) methodology statement on 1 November 2010.

In the letter, you explain that the 2010 charging model will be updated to include the latest supply and demand balancing forecasts and newly commissioned infrastructure. You consider that as neither of these changes amends the formulas which determine reserve and incremental step prices within the charging model the audit statement would not provide any useful information to the Authority or wider industry.


We have carefully considered your request and decided to grant NGG consent not to undertake the audit statement which accompanies the IECR methodology statement as per paragraph 3 of Special Condition C15. In this instance, we agree that as the formulas underlying the charging model remain unchanged the audit statement would provide little valuable additional information regarding the model's compliance with NGG's duties under the Licence and Gas Act.

In granting this request we consider it a matter of good practice that the model should be audited periodically and note it will have been two years since the last audit was undertaken. Given the accumulation of changes to the model's input data over this time we consider that there will be a strong case for an external audit of the model to be carried out next year unless NGG can provide a robust justification for a similar consent.

We also note that while the model remains unchanged it is the demand and supply forecasts that most influence charges. We would expect NGG to provide this data should a significant query arise. Finally, we highlight that this consent does not change NGG's ultimate responsibility for the accuracy of the resulting charges.

Please find the consent attached to this letter. Both documents have been published on our website.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stuart Cook', with a long horizontal line extending from the end of the signature.

Stuart Cook

Senior Partner, Smarter Grids and Governance

Signed on behalf of the Authority and authorised for that purpose by the Authority