

Mr. John Perkins  
National Grid plc  
National Grid House  
Gallows Hill  
WARWICK  
CV34 6DA

18 September 2009

RE: **GAS SO ENVIRONMENTAL INCENTIVE PROPOSALS FROM APRIL 2010**

Dear John,

Centrica welcomes the opportunity to comment on the issues raised in consultation document 2 on the Gas System Operator Environmental Incentives for April 2010. This response is on behalf of the Centrica Group excluding Centrica Storage Ltd. There is no confidential information contained within this response. We also attempt to answer the questions posed in the consultation document.

Question 4.1	Do you agree with National Grid's view (described in section 4.6) of where the approaches for reducing the amount of natural gas released should be targeted?
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National Grid has set out a comprehensive view of major initiatives.

Question 4.2	Are there other approaches to reducing the amount of natural gas released from the NTS that we should be considering?
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National Grid does not seem to have listed the simple measures such as co-ordination of activity to avoid release of gas from the same area with little time elapsed and reducing pressure to the minimum possible before release of gas.

Question 5.1	Do you have any suggestions for areas where you believe it appropriate to introduce new environmental incentives?
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No.

Question 5.2	Given the potential costs and payback periods for any asset based solutions to reduce emissions, should these type of investments be the subject of operational incentives or Price Control Review discussions?
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Centrica believes that the environmental incentives should sit alongside the incentive to reduce UAG. There may, however, be a case for some high value investment to be the subject of Price Control Review discussions.

Question 5.3	Do you believe that there should be any limit on the maximum duration or value of any operational incentive?
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In theory once an appropriate environmental incentive scheme has been established it should be possible to implement this for more than one year. We do not yet believe that an appropriate environmental incentive scheme has been established. During this learning phase there continues to be a need to limit the value of the incentive.

Question 5.4	Do you have any comments on how performance measures and targets could be set under any new environmental operational incentive?
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No.

Question 6.1	Do you support the view that the target for the environmental incentive should be corrected, so that any incentive payments accurately reflect National Grid's actual performance?
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Yes.

Question 6.2	If changes to the incentive target are to be made, do you support the view that this should be done through a single change once all of the relevant studies are completed?
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Centrica believes that changes should be introduced annually and incrementally rather than waiting until all of the studies are complete.

Regards,

Clive Woodland  
Planning & Analysis Manager