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4<sup>th</sup> October 2010

Dear Sarah,

**NETS SQSS – Fundamental Review Update and Consultation Report**

Thank you for your response to the above consultation.

The intention of the consultation was to seek industry views on both fully developed proposals and the principles on which proposals may be based in the future. We also included description of ongoing work in areas for which no proposals have yet been identified, in order to update the industry on the progress to date. We are sorry if this has appeared disjointed.

We note your willingness to be involved further in the ongoing SQSS review. We believe that input from the whole industry is key to ensuring that any recommendations have overall benefit. It is our intention to involve the wider industry in future work as much as possible, and as a first step tomorrow's workshop will discuss the future work plan and how best to take it forward. We will welcome your input to the workshop.

We do not believe there will be consequential changes on any other industry documents or arrangements from the NETS SQSS proposals intended for immediate implementation. Some of those that require further development, such as generation connection arrangements, will have wider impact and we will look to take forward complete sets of proposals wherever possible. Whenever we envisage there will be an impact on users we will discuss this with the industry, both whilst developing the proposals and through the consultation.

The proposals regarding generation connections and the basis of capacity require further development and will be included in discussions on the future work programme. We do not see these proposals as a fundamental shift in the role of the SQSS. The SQSS defines the minimum requirements to ensure demand security and facilitate market operation. Where economically justified, greater investment can be made. The proposals will define the minimum connection design needed for security and unconstrained running

on an intact network. Customer choice will allow greater investment. We believe this to be consistent with the role of the standard.

We note your comments that some of the proposals may need further consideration after some of the more “fundamental” issues have been addressed. Although this may be the case, we believe that there is benefit in bringing forward the proposals that have been developed to date. Revised proposals will be developed in the future if considered appropriate.

In accordance with the NETS SQSS governance procedure, which is currently a voluntary arrangement, we will undertake a consultation, starting later this week, on the text intended to implement the proposed changes. As well as providing an opportunity for comment on the text proposals, we believe that this will help clarify which of the proposals we will recommend for implementation now, and which we believe require further development. We will be submitting a report to Ofgem following this consultation. This report will discuss the proposals taken to consultation and the industry comments, and it will make recommendations on NETS SQSS amendments and future work.

Once again, thank you for your comments. Please contact me ([mark.perry@uk.ngrid.com](mailto:mark.perry@uk.ngrid.com) – 01926 655468) should you wish to discuss any issues further. I look forward to working with you on the next phase of the review.

Yours sincerely

**Mark Perry**