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To all interested parties

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Dear Colleague,

Consultation on request of Star Energy HG Gas Storage Limited (“Star Energy HG”) for an exemption under section 19A of the Gas Act 1986 (as amended) (“Gas Act”) from the third party access requirements contained in section 19B of the Gas Act

Following a consultation¹, Ofgem granted an exemption dated 25 June 2003 under section 19A of the Gas Act from the third party access requirements contained in section 19B of the Gas Act to Star Energy Limited in respect of a proposed storage facility at Humbly Grove, Hampshire. Ofgem’s decision to grant the exemption was based on an assessment that the use of the facility by other persons is not necessary for the operation of an “*economically efficient gas market*”.

Star Energy Limited advised Ofgem that Star Energy HG is a wholly owned subsidiary of Star Energy Limited and that it has been established to own the storage facility and to run the storage project at Humbly Grove. Star Energy HG has applied for an exemption under section 19A of the Gas Act from the third party access requirements in section 19B of the Gas Act with respect to the proposed storage facility.

The details of the application (except with respect to the person who made the application), in particular, the details of the storage facility at Humbly Grove are materially the same as those contained in the consultation referred to above.

On the basis of the information currently available to Ofgem and without fettering its discretion as to its final decision on this application, Ofgem’s initial view is that, subject to consideration of the responses to this consultation, it would be appropriate to withdraw the exemption granted to Star Energy Limited with respect to the proposed storage facility at Humbly Grove and to grant an exemption (in substantially the same form as the exemption to Star Energy Limited) to Star Energy HG with respect to the proposed storage facility.

¹ <http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/3814 StarEnergyHumblyApproval.pdf>

Any exemption granted to Star Energy HG would have to be consistent with the requirements of the EU gas directive that is due to be implemented into United Kingdom law by July 2004. If, once the exemption is implemented, the exemption is inconsistent with the requirements of that directive, the exemption may be withdrawn and a new application may need to be made.

Prior to a final decision on Star Energy HG's application, Ofgem welcomes respondents' comments on this consultation and, in particular, on Ofgem's initial view. Comments should be forwarded to me by 4 May 2004, clearly marked confidential (where appropriate). Ofgem's decision and any non-confidential responses will be placed on the Ofgem website (www.ofgem.gov.uk).

Yours sincerely

Amrik Bal
Wholesale Markets