

Gastransport Services

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Our reference: ML 04.B.034
Your reference:

Date: 29 June 2004
Dial: +31 50 521 32 40

Subject: Comments on proposals for the amendment of the Licensing Application Regulations, dated June 2004

Dear Mr. Fews,

Thank you for the invitation to submit our views on the proposals set out in the consultation document on the amendment of the Licensing Application Regulations of June 2004. We have read and considered the consultation document and the enclosed draft Application Regulations. Please find a short introduction to the BBL pipeline project Partnership and two comments below.

BBL Partnership

A general partnership between subsidiaries of N.V. Nederlandse Gasunie in the Netherlands, Ruhrgas in Germany and Fluxys in Belgium will shortly be established. The object of this partnership is the design, construction and operation - including the performance of transmission services - of the Balgzand-Bacton Line, a gas pipeline between the Netherlands and the UK, connecting Balgzand and Bacton.

Gasunie, through its subsidiary Gastransport Services, as initiator of the project, sought comfort from the national authorities that the BBL project would be eligible for an exemption ex art. 22 of the EU Gas Directive. The Ministry of Economic affairs in the Netherlands and Ofgem in the United Kingdom gave such comfort and the European Commission subsequently approved the comfort from the national authorities. The comfort given by the national and European Authorities proved an essential basis for the investment decision that was taken on 25 May 2004. The BBL Partnership will be established before long to develop and operate the BBL pipeline on the basis that there is sufficient comfort from national and European authorities that a final exemption would be obtained.

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Early guidance for project developers vis-à-vis the amended Regulations

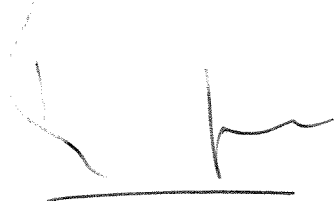
The consultation document sets out the changes to the Amended Regulations that Ofgem proposes to make as a result of the interconnector license prohibition introduced into the Gas Act by the Energy Bill. It is pointed out that the licensing regime (including the possibility to exempt new infrastructure from certain standard license conditions, thus implementing the exemption provisions ex. Art 22 of the EU Gas Directive) is still under consideration and will be consulted upon by DTI. Previously, DTI and Ofgem have conducted a joint consultation on the proposed regulatory regime for gas interconnectors and the DTI has consulted on the GB implementation of the EU gas Directive. Moreover, for the BBL project, Ofgem has consulted on a draft application for an exemption and as indicated above, sent a comfort letter to the BBL project initiators, Gastransport Services. We believe that these special circumstances must be taken into account in the new Licensing Application Regulations.

Entry into force of the Regulations

It is proposed that the Regulations will enter into force in either September or October. For the avoidance of doubt, we would like it to be confirmed that an application for an interconnector license can be made and processed prior to the new Regulations taking effect in either September or October so that an exempt license can be issued as soon as the Regulations are in force.

We trust that the above comments are helpful and are happy to clarify our views further.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Floris Gräper', written over a horizontal line.

Floris Gräper
Market & Regulation, Gastransport Services