

Gas Directive Exemption for a Proposed LNG Import Facility
at Milford Haven

Steve Smith
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE



10 December 2004

Dear Steve

**Application by Dragon LNG Ltd under section 19C of the Gas Act 1986 for
an exemption from section 19D of the Gas Act 1986**

I refer to your consultation document on Dragon Ltd's request for an exemption under section 19C(2) of the Gas Act 1986 from the application of section 19D of the Gas Act to the entire proposed capacity of Dragon's LNG import facility at Milford Haven.

My letters to you of 27 October and 1 November 2004 responded (respectively) to Ofgem's consultations on similar recent applications made by South Hook LNG Terminal Company Ltd and Grain LNG Ltd for the same kind of exemption. Those consultations raised issues similar to those raised by the current one.

For the record, therefore, we should like to say that the views we stated in those earlier responses – particularly in relation to the treatment of the secondary market for LNG capacity, the appropriate type of use-it-or-lose-it mechanisms to be put in place, and the disclosure obligations of the operator under the DTI's information release programme – are in our opinion equally applicable to the Dragon application and should be taken by Ofgem to represent our response to the current consultation.

We hope that these comments are helpful. Please contact either me on 0207 752 2199 or John Costa on 0207 752 2522 if you have any queries.

Yours sincerely

A handwritten signature in black ink that reads 'Roger Barnard'.

Roger Barnard
Regulatory Law Manager

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