

Steve Smith  
Managing Director – Markets  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Tim Tutton  
UK Director of Regulation

[tim.tutton@ngtuk.com](mailto:tim.tutton@ngtuk.com)

Direct tel +44 (0)1926 653140

Direct fax +44 (0)1926 656520

10<sup>th</sup> December 2004

Dear Steve,

**RE: Application by Dragon LNG Ltd under section 19C of the Gas Act 1986 for an exemption from section 19D of the Gas Act 1986 – NGT's response**

NGT agrees with Ofgem's conclusions, based on the information provided by Dragon LNG Ltd, that each of the exemption criteria would appear to be met. We also recognise that the form of the proposed exemption matches those exemptions already granted to Grain LNG Ltd and SHTCL Ltd.

Ofgem has specifically asked for respondents' views on whether the gas purchase contract between Petronas and Centrica would have a detrimental impact on competition.

NGT is not privy to the details contained within these contracts and so its view is based solely on the information contained within the consultation document.

While Centrica has a large retail market share in the UK it will need to provide its customers with gas. The projected decline in UKCS sources of gas over the near term leads us to expect that companies like Centrica will seek to secure alternative providers of gas to enable it to service its portfolio. Recent predictions show that there is healthy interest in bringing additional supplies of gas to the UK allowing existing market participants and new entrants to secure gas supplies to service their portfolios thereby enabling competition in the retail market to continue.

There is no obvious reason for Centrica to withhold gas from the market given the presence of a deep and liquid traded gas market in the UK. This provides ample opportunity for Centrica to release surplus gas to the market in a timely fashion. However, were evidence to appear suggesting that Centrica was behaving in an anti competitive manner we would expect the competition authorities to act swiftly and decisively to remedy the situation given that sufficient powers, under the competition legislative framework, already exist to cater for such circumstances.

Therefore, it would appear to NGT that the gas purchase contract entered into between Petronas and Centrica would not be detrimental to competition.

On a separate point NGT notes that a "new" company will take ownership and operational responsibility of the proposed LNG importation facility. This new company being owned by BG, Petroplus and Petronas in the same proportions that each presently owns Dragon LNG Ltd. We understand that it is this new company that will be granted the exemption from section 19D of the Gas Act.

Should you wish to discuss any further aspect of this response, you might wish to contact either David Chamberlain on 01926 655838 or myself.

Yours sincerely,

Tim Tutton

National Grid Company plc  
Registered Office: 1-3 Strand, London WC2N 5EH  
Registered in England and Wales, No 2366977

Transco plc  
Registered Office: 1-3 Strand, London WC2N 5EH  
Registered in England and Wales, No 2006000