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to customers*

8 March 2005

LONG TERM DEVELOPMENT STATEMENTS

1. Ofgem is currently consulting¹ on new proposed licence conditions relating to Long Term Development Statements (LTDS) for the National Transmission System (NTS) and each Distribution Network (DN). It is proposed that these conditions should come into effect on 1 May 2005 and to issue directions on a number of areas relating to the LTDS, including the form of these statements and the timing of publication. These directions would be effective on the same date as the proposed new licence conditions.
2. Ofgem has previously consulted on LTDS. The outcome of this consultation is summarised in Ofgem's February 2005 consultation document (pursuant to section 23 and section 8AA of the Gas Act 1986).
3. This letter sets out Ofgem's current thinking on future arrangements for producing LTDS by the gas transporters (GTs) which will operate the NTS and the DNs. In particular, the letter considers:
 - the scope and format of LTDS produced by the NTS and each DN;
 - the timing of publication of LTDS for the NTS and each DN; and
 - a provision requiring each GT to keep the content of its LTDS under review.
4. This letter seeks views on Ofgem's initial thoughts from interested parties. These will be discussed at the Development and Implementation Steering Group (DISG) meeting on 22 March 2005. Ofgem welcomes representations from interested parties in advance of this meeting. Further representations submitted after the meeting must be received by Friday 1 April 2005. All representations should be submitted to Samanta.Padalino@ofgem.gov.uk.

¹ *National Grid Transco – Potential sale of gas distribution network businesses, Formal consultation under section 23 and section 8AA of the Gas Act 1986, Ofgem, February 2005.*

Scope of the LTDS for each DN

5. Transco currently publishes its LTDS (the Transportation Ten Year Statement) in December each year. The statement provides an assessment of the future demand and supply of natural gas in Great Britain. While it focuses on developments of the NTS, it also contains forecasts of demand for each Local Distribution Zone (LDZ) and some development plans for the Local Transmission System (LTS). The LTS comprises the highest pressure tier within a DN. Additional information is provided on request to parties seeking to connect to a DN.
6. The proposed new licence conditions relating to LTDS no longer refer to high-pressure pipelines. As a result, Ofgem could require DN licensees to provide detailed information on development plans for all pressure tiers in their networks. This has raised concerns from a number of interested parties, including National Grid Transco (NGT) and potential DN buyers.
7. Ofgem recognises that a requirement to provide detailed information on all pressure tiers could impose a substantial burden on DNs in terms of resources necessary to produce such information. Therefore, it is not Ofgem's present intention to require a full street map of all pipes in each DN. However, increasing the scope of the statements beyond the minimal information currently provided by Transco on LDZs would improve transparency of the DN development plans and would better inform the commercial decisions of participants in the energy industry.
8. Any obligations to provide additional information as part of Ofgem's directions on the scope of the LTDS would be introduced only after consultation on any associated costs, security implications and confidentiality concerns. Ofgem would particularly welcome views from interested parties on the level of detail that DN operators should be required to provide in their LTDS and whether the statements should include:
 - a full description of the development plans at the LTS level, including details of all expected projects and forecasts for 10 years ahead;
 - some development plans for the intermediate pressure system (IPS), including details on significant projects;
 - forecasts of demand at the LDZ level;
 - information of any gas supply or storage facility that is likely to be connected to the DN; and
 - investment plans and likely commercial developments including, for example, potential reforms of the existing arrangements.

Scope of the LTDS for the NTS

9. Ofgem proposes to retain the current scope and content of Transco's LTDS for the NTS. It would also be desirable for the NTS to include in its LTDS some additional information relating to DN development plans. In particular, the LTDS should discuss how development plans on the NTS relate to development plans on the DNs.

10. The NTS's LTDS should also take account of LDZ demand and supply forecasts provided by DNs in their statements rather than solely rely on its own forecasts at the LDZ level.

Format of LTDS for the NTS and DNs

11. Ofgem considers that the LTDS for both NTS and DNs could retain the format currently adopted by Transco in its Transportation Ten Year Statement. This would simply involve adapting the current table of contents in Transco's Transportation Ten Year Statement² to the specific circumstances of the NTS and DN networks respectively.
12. DNs should follow Transco's current statement as closely as possible and retain the same formatting of tables and units of measurement. In addition, each DN should provide information on any LDZ-level information that is currently used by Transco in its LTDS for the NTS. This would encourage consistency and allow constructive dialogue.

Timing of Publication of LTDS by the NTS and each DN

13. It will be important to set a date for the publication of the LTDS in order to help co-ordinate the information across DNs and NTS and produce a single industry development statement. For this reason, Ofgem considers that DNs could publish their individual LTDS by 30 September of each year, while the NTS could publish its LTDS by 31 December of each year.
14. The three months between the publication of DN and NTS statements should provide time for the NTS to select the relevant DN information, deal with any discrepancies between forecasts supplied by DNs and its own LDZ forecasts and produce a single industry development statement.³

Future Review

15. Ofgem also proposes to include a provision for GT licence holders to keep the form of the LTDS under review to take account of unexpected developments in the operation and management of the newly separated DNs and NTS.
16. Finally, it is important to note that after the Authority's decision in relation to DN sales on 20 January 2005, there can be no expectation on the part of NGT, Transco, potential shippers, suppliers, DN buyers or any other interested parties as to any further decisions which the Authority may be required to take or any further consents which the Authority may be required to grant (including for the avoidance of doubt any decisions or consents which may be necessary pursuant to a condition precedent or a condition subsequent attached to the consents granted by the Authority on 20 January 2005) in relation to DN sales. The Authority's discretion will not be fettered by any statement made in this letter.

² The *Transportation Ten Year Statement* is available on Transco's website.

³ National Grid Company normally publishes its LTDS within three months of receipt of relevant user data (including information from DNOs and generators).

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