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ExxonMobil
*Gas & Power
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**Formal Consultation under section 23
and section 8AA of the Gas Act 1986**

Sonia Brown
Director, Transportation
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Dear Sonia,

ExxonMobil International Limited is responding on behalf its licenced gas shipping entities.

In this instance we wish to restrict our response to the area of transporter licence change that concerns us most, the introduction of Standard Special Condition A55: Enduring Offtake Arrangements. We do not support introducing a 'best endeavours' obligation to introduce the proposed enduring offtake arrangements by 1st September 2005 into Transo's and each DN's transporter licence.

In our response to the Transco consultation "Towards a New Industry Framework", we voiced our concerns regarding the NTS Exit Arrangements as proposed by Transco. We understand that Ofgem made Exit "Reform" a gateway to allowing Transco to proceed with the DN sales process, but as stated before, we do not believe that in formulating its proposals Transco has taken appropriate measures to (i) reflect the nature of industry demand for a change (ii) be as cost efficient as possible (iii) be practicable in their operation for all Exit points or (iv) provide sufficient lead time for shippers to consult with their affected customers and take advice as to the relevant contractual changes that would be required or which may be appropriate. It is therefore, disappointing to us that SSC A55 is being introduced to place an obligation on Transco and each of the DN's to use their best endeavours to implement the proposed enduring offtake arrangements by 1 September 2005.

In the Corporate Strategy and Plan 2005 - 2010 Ofgem acknowledges that it is the decisions that it makes that "have the most significant financial implications for the industry" and commits to delivering "High quality decision-making based on sound, well-researched

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analysis". However, to the best of our knowledge, the current proposals for the enduring offtake arrangements represent a fundamental change to the purchase of Exit Capacity and introduce risk and uncertainty for shippers and have not been subject to any financial analysis (that has been published) or Regulatory Impact Assessment. The proposals in their current form were outside of the scope of both the financial analysis and the RIAs undertaken to assess the benefits to be derived from the sale of some Distribution Networks.

We believe that imposing an extremely challenging implementation date does not allow for alternative arrangements to be brought forward and fully considered by the industry and does not demonstrate a commitment to decision making based on sound analysis. Introducing a Standard Special Condition into the Transporter Licence circumvents the usual development and consultation process of Network Code change that has to date delivered timely and, and for the most part, consensual change to industry arrangements.

We trust these views will be taken into account and if you have any questions regarding this letter, please do not hesitate to contact me.

Yours sincerely

Joy Chadwick
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