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Attention to : Ms. Nienke HENDRIKS
Senior Manager, Gas Transmission

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Your REF.

Our REF.

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SUBJECT

2005-PCT-0196

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Consultation Document on new NTS entry points, reserve prices in auctions
and unit cost allowances (UCAs) dated May 2005

Paris, 30 June 2005

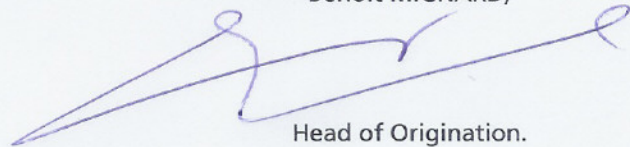
Dear Nienke,

In response to your invitation of views in the consultation document in subject, you will find in annex "Schedule 1" here-attached our comments as a shipper on the NTS.

Also, you will find in separate annex "Schedule 2" here-attached some specific material which address information we found confidential and proprietary.

Sincerely yours,

Benoît MIGNARD,



Head of Origination.

Schedule 1

Comments in response to Ofgem's Consultation Document on new NTS entry points, reserve prices in auctions and unit cost allowances (UCAs)

dated May 2005

Our comments below are made under our strong belief that any change in the current auction process, should leave harmless the security of supply and guarantee a better protection of customers interests.

Our first comments concern the reallocation of entry costs between the existing entry terminals.

The consultation document does not allow us to formulate an opinion on the new entry terminal UCAs as it is not possible to know how the calculations were made. The calculations used to reallocate entry capacity UCAs are based on Transco's "Transcost" model. This means that the assumptions which underlie the calculations and the actual calculations themselves are not accessible by third parties. It is therefore not possible for us to formulate an opinion on how appropriate or how fair the new cost reallocation is. We therefore request that an independent audit of the calculations be carried out by a fully qualified and fully independent third party. We believe also the cross-check of several models might bring more confidence in the UCAs calculations derived from the LRICS evaluations. We believe transparency improvements in this matter would bring more confidence in the stability of how the decisions are made in the long range.

We also believe that changing entry capacity UCAs in the middle of a price review period seriously undermines the predictability of regulation, which is an essential condition to encourage investment. Companies which, like ourselves, have made important investment decisions based on a set of costs and a methodology provided by Ofgem and Transco, find themselves faced with a substantial modification of the regulatory regime, with significant cost implications, before we have had the first opportunity to participate in auctions on the basis of the information provided to us. We strongly believe that this sends the wrong signals to investors and is likely to reduce investor confidence in the predictability of regulation. We strongly believe that it might harm customers interests in the long term, especially when a long term source of supply, such as power plants or LNG importation facilities, which are essential for future UK supplies, are at stake.

On the basis of this, we consider that modifications of the UCAs should coincide with price reviews. In the case of the modifications presented in the consultation document, these should be postponed until the next price review.

We assume that a single consistent methodology will be used to calculate UCAs covering existing entry points and new build. More specifically we are curious about the difference made between the upward price schedule for existing entry points versus downward price schedule for new entry, mentioned in Chapter 2. We believe in some cases when significant reinforcements are linked to existing points there might be economies of scale.

It might be of interest to consider alternative approaches to the current long term yearly auction process, especially for existing or new entry points where the number of participants involved are limited, as in the case of Isle of Grain for example. Moreover in this case the LNG importation facility is a wholly-owned subsidiary of Transco, so one might predict that some auction process to trigger any reinforcement project of the downward network is rather redundant. Other processes, such as "Open seasons" during a certain time window, or bilateral negotiations, might be in such cases more efficient to trigger in due time the necessary signals for projects to deliver on time.

Our comment hereafter address more specific items mentioned in the Consultation Document.

The differences, if any, between UCAGs derived from 2001 price control review 6mscm/day incremental capacity schedule, against the evoked 9mscm/day incremental capacity for indicative revised existing UCAGs, should be available to all industry participants. As stated in 5.12, we agree either that in principle the increment should reflect the anticipated flow rate, which could be known by preliminary consultations addressed to industry participants, or in the case of standard demand increments, that UCAGs for each standard increment should be available.