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Dear Ms Hendriks

Canatxx Gas Storage Limited

I refer to the consultation document “Gas Transmission – new NTS entry points, reserve prices in auctions and unit cost allowances (UCAs)” and make the following points on behalf of Canatxx Gas Storage Limited (“CGSL”), my client. As suggested material of a Confidential nature has been included by way of an Appendix.

As you are aware CGSL is developing a salt cavern gas storage facility at Preesall in Lancashire and has requested connections to Feeders 15 and 21. Canatxx first began developing the facility back in 1992 with the then State owned, British Gas. The conceptual thinking was for the Preesall facility to act as a replacement for the swing capacity that Morecambe Bay provided to the UK gas system as this field entered decline, and by positioning the facility at Preesall the project would benefit from the robust nature of the gas network in that area.

The current state of the UK gas system is mirroring that originally envisaged by Canatxx, in that the original sources of field gas have and are declining and the swing capability that these fields provided is also in rapid decline. Preesall as designed is capable of providing considerable swing to the system and the facility due to its hourly intra-day cycling capacity is capable of balancing the whole network, should the system ever move to that requirement(see Appendix1). Preesall would look to provide this service to all credit worthy counterparties via Third Party Access. Our analysis also shows that should Preesall be allowed to connect to the NTS as envisaged, and at an economical cost, it brings significant operational flexibility benefits and potential savings to the System Operator’s operation of the network (see Appendix 1). Cost benefits which in theory all users should benefit from.

One of the most important issues though, that should not be ignored, in particular in light of the current physical position of UK Gas Supply, is “Security of Supply”, Canatxx in conjunction with its advisor Advantica has modeled the effects of a Terminal Failure on the NTS(see Appendix 1), the results are of considerable benefit to the UK as a whole, benefiting all parties right down to individual consumers.

On the basis of the above Canatxx holds the view that its connection to the NTS should be a true reflection of the costs involved in that connection. Those costs should reflect the latent(sterile) capacity that is forecasted to be available on the section of NTS that Preesall wishes to connect to and be reflective of the way the characteristics of the system have changed over recent years. As stated earlier this projected change was a significant parameter in positioning the project in its proposed location. Canatxx therefore strongly supports the adoption of Option 1 as outlined on Page 57 of the consultation document, this will enable the facility to be developed to its maximum potential and provide the range of services it believes the market seeks, in the most efficient and lowest cost way.

Should you have any queries in respect of the above or the attached Appendix please do not hesitate to contact me.

Yours sincerely

Graeme A J Thorne
Managing Director