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Dear Nienke

Gas transmission – new NTS entry points, reserve prices in auctions and UCAs

NGT Distribution welcomes the opportunity to respond to this consultation on new NTS entry points. Whilst the bulk of the consultation relates to NTS issues, chapter 6 refers to DN entry points and hence I am responding to the issues raised within this chapter on behalf of NGT's Distribution business.

We agree that a contractual approach to DN entry points is likely to prove more flexible than replicating the NTS entry approach and better meets the needs to develop an economical and efficient system. In particular there are likely to be opportunities that are only economic if the operator can work within the constraints of the local network, rather than having to fund reinforcement to remove them. Indeed, if the gas entering the DN requires blending to maintain the calorific value within tolerance, or if the volume entering the network could exceed local demand, then the changes required to the network could be prohibitively expensive. We believe that customers will benefit from parties being given the freedom to exploit any opportunities in a flexible manner.

There is a tension between the proposed freedom to negotiate flexibly and the potential licence obligation to treat applications in non-discriminatory manner. This can be reduced by each licensee identifying standard terms and conditions with variable flow/pressure and other terms depending upon the particular circumstances. In effect this would resemble the current connection arrangements for complex exit connections. Furthermore, it is important that the licence condition should only apply to undue discrimination and not prevent gas transporters from reflecting accurately the costs and benefits associated with each proposal in the terms offered, or indeed meeting their Gas Act obligation to develop an efficient and economical system.

It is worth noting that storage sites will also need an exit agreement. It is likely that any reinforcements that are required will result from a combination of the entry and exit requirements and thus the two agreements may need to be linked in some way.

As you note, NTS offtakes are not able to transfer gas from the DN to the NTS. However, it is possible for gas entering via a DN entry point to displace gas from the NTS and hence affect gas flows at the NBP. As the proposals are developed further, consideration can be given to the requirements on a shipper of gas from a DN embedded entry point should they wish to trade it at the NBP.

I trust that you find the above comments helpful in developing these proposals. If you would like to discuss any of the points raised, please do not hesitate to contact me.

Yours sincerely

By E-Mail

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