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12 May 2006

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CIA response to proposed incentive arrangements for the provision of NTS entry capacity at Milford Haven

The CIA supports the work proposed by Ofgem to ensure that extra capacity is delivered to Milford Haven in time for winter 2007/08. We agree that it would seem appropriate that any new incentive arrangements should protect customers from meeting the costs that have arisen because of inefficiency, and encourage NGG to deliver additional NTS capacity in a timely and cost effective manner.

Questions:

(1) Should new incentive arrangements for National Grid Gas (NGG) be developed in relation to the delivery of transmission capacity for Milford Haven?

Yes, CIA supports this initiative to ensure that the appropriate financial incentive will help focus effort on this important project.

(2) Are the principles identified an appropriate basis for the new incentive arrangements?

CIA believes that Ofgem have developed the appropriate basis for the incentives.

(3) Should NGG be shielded from buy back costs if there are undue delays in the DTI giving consent for the construction of the reinforcement pipelines, adverse weather conditions, or other exceptional factors?

It is important to ensure that NGG are incentivised to complete their part of the consents process in a timely manner, and we would hope that DTI are aware that the consent to this project is vital in the operation of the UK's gas market. However, we do note that there could be exceptional factors outside of NGG's control. We would leave this decision to Ofgem.

(4) What are the advantages and disadvantages of the new incentive arrangements?

The advantages could be that NG ensure that new entry capacity is delivered in a timely manner before winter 2007/08. The disadvantages are that the new arrangements would have to be administered.

(5) Should this deferral skip the period November to February during which construction is not practical?

The CIA is unsure whether NGG had planned to construct pipeline capacity over this period in order to meet its original deadline, and we believe that they plan to finish the project by Winter 2007/08. We do not believe therefore that the deferral should skip the period November to February.

Kind regard,

Helen Bray



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