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Indra Thillainathan
Gas Distribution
Ofgem
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Dear Ms Thillainathan

Re: New Entry arrangements for connecting to the gas distribution network – the long term arrangements

Star Energy Group, welcomes the opportunity to comment on Ofgem's proposals regarding the long term arrangements for GDN entry points. Star Energy is a developer of gas storage in partially depleted hydrocarbon reservoirs as is the developer and operator of the Humbly Grove gas store.

It is clear that the current arrangements for GDN entry need to be overhauled and we look forward to contributing to the development of a framework which meets the aspirations of all participants in the GB gas industry.

The location of storage facilities is largely determined by geology (ie the location of appropriate natural porous strata or salt sections) and we agree with Ofgem that new GDN entry arrangements should not distort the decision of any potential new entry point between connecting to the GDN or the NTS.

Star Energy supports the contractual approach proposed by Ofgem as it will provide a framework which will ensure equal treatment, but be flexible enough to reflect the characteristics particular to each individual entry point.

We have structured our response to answer the specific questions raised in the consultation document:

Chapter 3, Question 1: Is a modification of the GDN's GTs' licence the best way for Ofgem to implement a contractual approach for new commercial and regulatory arrangements for GDN entry points?

We believe that the obligation to enter into contractual negotiations in relation to GDN entry points should be enshrined in the GDN Licence. We also believe that many of the principles in relation to access to entry capacity and the GDN entry arrangements should also form part of GDN Licence conditions. In many instances this is an extension of the principles already covered in GDN Licences to encompass GDN entry (see below).

Chapter 3, Question 2: What are the views of interested parties about the key issues relevant to GDN entry arrangements?

The key issues relevant to GDN entry arrangements are laid out below. They are grouped into those that should be addressed through a Licence Condition and those that can be addressed in other ways:

Issues that should be addressed via a Licence modification:

- The entry facility must have the option of access to the NBP. Without access to the NBP it is unlikely that these facilities would be developed which would be detrimental to security of supply. The Licence Condition should provide that the contractual arrangements should be such that flows delivered into the DN should be recognised at the NBP.
- The services offered by the DN must be on a non-discriminatory basis. It is important the arrangements between the DN and the Entry facility are fair and where reasonable, consistent with other existing arrangements.
- The main general terms and conditions should be published as they are for NTS connections (e.g. the Storage Connection Agreement).
- The principal service is the provision of DN capacity and the DN must be required to release the maximum level of capacity to the entry facility at all times.
- The methodology by which the maximum level of capacity is determined should be published by the DN.
- Any charges should be cost reflective and non discriminatory.

Other issues that do not require a Licence Condition:

- Contractual structures must be clear, straightforward and bilateral i.e. a single agreement between the DN and Entry facility. For storage facilities we would assume that the entry arrangements would form part of the Storage Connection Agreement.
- Finally, while we agree that the Licence should explicitly set out Ofgem's role in dispute determination we do not feel it is appropriate at this stage to determine what might be minor or material disputes. This may be better addressed through future guidance and we would be happy to contribute to the development of such guidance if Ofgem deems this approach to be acceptable.

Chapter 3, Question 3: Are there any further key issues not discussed in this chapter that should be considered?

We support the timetable outlined in the consultation document. The current uncertainty over the arrangements for GDN entry is a dis-incentive to the development of embedded storage facilities.

Chapter 4, Question 1: Is there any reason why the three existing GDN entry points should not in due course have the same commercial and regulatory arrangements as new GDN entry points?

The issue of non discrimination would tend to suggest that the existing GDN entry points should over time move to the new arrangements.

Chapter 4, Question 2: How should a timely transition to the new arrangements be facilitated while preserving existing entry capacity rights?

The nature and timing of the transition is probably better discussed once the details of the new arrangements are clearer.

Yours sincerely

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