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5<sup>th</sup> February 2007

Dear Indra

### **Entry arrangements for Connecting to the Gas Distribution Network – Licence Modifications**

Thank you for the opportunity to comment on the proposed modifications.

As you may be aware NGN has no entry points on its network and is not aware of any potentially new connections of this nature. We note Ofgem's view that there is unlikely to be a significant growth in the number of such connections. The proposed licence modifications require us to undertake actions which may never actually be needed in practice and therefore need to be proportionate in line with best regulatory practice.

In our opinion the licence modifications appear to confuse two matters. The first being operator to operator arrangements surrounding the physical connection to the network and the ongoing operation of the entry point which would need to address issues such as pressure, quality, definition of the actual entry point, communication protocols etc between the two operators. The second being the commercial arrangements for actually flowing gas onto the distribution network which under the Gas Act could only be established between a shipper and the transporter. We note that in terms of the entry arrangement, current arrangements at terminals provide for a Network Entry Agreement (NEA) which sets out the provisions relevant between operators to permit the flow of gas into the system. The commercial arrangements are set out in the UNC.

As presently drafted paragraph 3 relates to terms for permitting gas to be introduced onto the network which would have to be with a shipper yet within the terms to be offered under this requirement are matters such as payment of reinforcement costs which would be paid for by the new connectee. This needs to be clarified and the licence drafting revised accordingly.

The other major issue with the licence drafting, given that the draft condition centres on the required physical connection of works, is that references to capacity are inappropriate and should be replaced by references to the minimum and maximum flow capability of any entry connection.

We are mindful of the timetable to implement these revised arrangements from 1 April 2007, however we believe this aspiration needs to be assessed in the context of other linked issues such as any consequential revisions to UNC, potential establishment of any charging methodology for DN entry capacity and interaction with reforms of the offtake and interruption arrangements. In light of this and the need to clarify the licence drafting we are firmly of the view that implementation of the revised arrangements should be no earlier than 1 October 2007 which would allow for a more fully considered set of terms to be developed and allow for an assessment of any revisions to the UNC.

As a minimum we envisage a UNC modification will be required to deal with the terms for the services to shippers regarding the sale of capacity and the gas being counted for NBP purposes.

I trust our general points will be considered alongside the specific licence drafting points raised by other transporters. Please do not hesitate to contact me should you have any questions in respect of this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Parker', with a stylized flourish.

**Stephen Parker**  
**Regulation Manager**