



Office of Gas and Electricity Markets
FAO Mr. Ikbal Hussain
9 Millbank
London SW1P 3GE
United Kingdom

Brussels, 8 January 2007

Dear Sir,

We are writing concerning the content of Ofgem's open letter on the review of policy on licence revocation and its potential impact on the shipper and supplier licences held by DISTRIGAS SA

Ofgem states in its letter that it has received representations from interested parties asking it to review its current policy on licence revocations. Specifically, in circumstances where the relevant licence is not being used, they consider it inappropriate for such licensees to continue to hold the relevant licence. On the basis of this general statement, we fail to understand the reasons justifying such a position. Whereas we will not elaborate on cases where a licensee has ceased licensable activities or where an insolvent licensee still holds licences, we do object against the suggestion that licences held by a company which has not commenced relevant licensable activities within the Specified Time would constitute surplus licences, the existence of which is, for administrative purposes, amongst other things not generally desirable

The open letter does not elaborate on the rationale behind your intention to revoke licences in cases where the licensee has not commenced the relevant licensable activity

DISTRIGAS SA is actively trading natural gas on the National Balancing Point and at Bacton and Zeebrugge. DISTRIGAS has a diversified portfolio of long-term import contracts contributing to security of supply at competitive prices

As you know, the Belgian gas market is directly linked to the UK gas market via the Interconnector pipeline. The Interconnector can reverse the direction of natural gas flows, depending on demand. Large volumes of natural gas flow via the Interconnector between the UK and the Continent. Inaugurated in 1998, the Interconnector was designed at its inception to enable British producers to gain direct access to the continental market for exporting their natural gas surplus. Since then, the faster than expected decline in production from the UKCS has changed the situation and the Interconnector has become an essential link supplying the UK market. As from November 2005, the capacity of natural gas flows to the United Kingdom (reverse flow) was increased from 8.5 to 16.5



bcm/y by the installation of two compressors in Zeebrugge DISTRIGAS has contracted for [REDACTED] of this extra reverse flow capacity of the Interconnector. A second phase of the Interconnector enhancement programme, which has taken the pipeline's UK import capacity to 23.5 bcm/y, was completed in late 2006. DISTRIGAS also participated in this second phase, which increased the company's reverse flow capacity to a total of [REDACTED] bcm/y.


DISTRIGAS is thus well placed to provide the UK with supplies of natural gas and although [REDACTED]

We firmly believe that a revocation of gas shipper and supplier licences because a licensee has not commenced the relevant licensable activity is not in the interest of customers, suppliers and security of supply of the UK market in general. Moreover, a supplier who sees its licences revoked for this reason, will need to apply for new licences and go through the process of setting up standard documentation with Transco, which will inevitably take time and involve transaction costs, both elements contributing to a reduction of competition in the UK market.

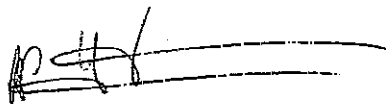
Clearly, the perceived undesirability of unused licences for administrative purposes does not, in our opinion, outweigh the additional cost of an automatic revocation policy for market participants and the market in general.

We trust that you will take our view into account when formulating your future policy in this matter.

Yours sincerely,



M. Gillis
Head of Regulatory & Public Affairs



E. Van Bruysel
Chief Executive Officer