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NEW ARRANGEMENTS FOR ACCESSING CAPACITY ON THE NATIONAL TRANSMISSION SYSTEM

Energy regulator Ofgem has today (Thursday) announced its acceptance of National Grid's proposals setting out new arrangements for taking gas off the national high pressure gas transportation system.

The proposals are intended to give gas distribution networks (GDNs) and shippers that represent large gas customers equal and non-discriminatory access to take gas off the National Transmission System (NTS).

The proposals benefit all customers by improving information used by National Grid Gas NTS (NGG NTS) to decide on investment in the NTS. This reduces the risk of customers having to bear costs of unnecessary spending on the pipeline. The improved information will result from establishing a framework for NTS users to make long-term commitments to purchase offtake capacity.

In accepting the National Grid proposals, Ofgem has recommended that their implementation be delayed by one year. Allocations of offtake capacity under the regime would not occur until next year. Ofgem believes that a one year delay will provide industry participants with a good opportunity to build on and identify improvements to the arrangements that have been accepted today.

A change to the Uniform Network Code, the governing rules for transport and supply of gas, was necessary so the new arrangements could be brought in. Ofgem accepted a modification to this code, proposed by NGG NTS. The modification addresses other issues such as arrangements for interrupting gas supplies. It will reform these arrangements so that discounts provided to users seeking interruptible contracts will more closely reflect the probability of interruption.

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Notes to Editors

1. Ofgem has today published a letter on its website www.ofgem.gov.uk explaining its decision to accept modification proposal 0116V. The modification was originally set to take effect in mid 2007 for the allocation of offtake rights from October 2010. However, Ofgem has decided that implementation should be delayed until April 2008 for a number of reasons. These include:

- to allow more time for NGG NTS and the GDNs to have their revised safety cases accepted by the Health and Safety Executive. (The modification proposal that has been accepted today will require the existing safety cases to be changed.)
- setting up arrangements so that capacity for the Moffat offtake point serving Ireland, Northern Ireland and the Isle of Man can be purchased and guaranteed to downstream users over the long term by a single party. The creation of the single party purchaser would require an exemption from the Department of Trade and Industry under the Gas Act 1986 framework.

2. Ofgem recognises that a delay to the implementation of the new arrangements is likely to require further modifications to the Uniform Network Code in order to establish capacity booking arrangements for the gas year 1 October 2010 to 30 September 2011.

3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem.

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