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Dear Robert

Transmission Price Control Review - gas entry baseline re-consultation

energywatch welcomes the opportunity to respond to the issues raised in the document. This response is non-confidential and we are happy for it to be published on the Ofgem website.

We have no specific comments to make on the various allocation methodologies for baseline entry capacity. We do have the following general comments, however.

Consumers expect the delivery of safe, secure and reliable gas supplies in an efficient and economic manner. In delivering gas over a monopoly gas transmission network, especially during a period of significant capital investment, consumers' expectations can only be met if the various parties affected – consumers, users and the network operator - have a certain and stable environment. It is the purpose of a five-year price control settlement to provide that environment.

Ofgem's TPCR final proposals in December 2006 should provide the stable and certain environment that we refer to. It would be unfortunate if, despite some concerns, the final proposals are now re-opened. This potentially affects other aspects of the price control settlement such as buyback incentives and capex allowances. Unless these concerns are material to capacity allocation, and clearly show no disproportionate impact on the efficient and economic operation of the network, Ofgem should be consistent and apply the final proposals as intended. Other mechanisms, such as trade and transfer, may be more appropriate means to manage and refine entry capacity without disturbing the price control settlement.

We will continue to keep these issues under review as Ofgem's re-consultation exercise proceeds, always considering the possible impact on consumers, and comment as necessary.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs