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Date
31 October 2007
Our reference
S 07.0275

Telephone
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Your reference

Subject
Re: Ofgem Consultation – Transmission Price Control Review - Gas Entry Baseline
Re-Consultation

Dear Mr. Hull,

Thank you for the opportunity to comment on this consultation. We would like to provide some general comments on the subject of the setting of entry baselines which we believe are important when taking the GB regime in the wider European context.

We observe that the whole process has consumed considerable time and resources to arrive at what appears from all the correspondence to be still a contentious position. We would like to take this opportunity to suggest that we take a step back and examine what the objectives are, and we request that Ofgem articulate some principles and objectives which it believes the capacity regime should deliver.

We believe the basic goal ought to be to create a regime that is transparent and simple whilst retaining the clear objective of providing incentives for shippers to make appropriate decisions on capacity booking and for NG to be incentivised to make an appropriate level of investment.

Given that entry capacity is sold ahead over a much longer period than the price control review period, it is also important that the outcome of this review is a stable position for the long term. The way in which regulatory intervention might be made when reviewing or amending baselines, for example at the next price control review should be made explicit as part of the conclusions of this consultation.

There appears to have been to date very limited transparency, but a substantial amount of information. The modelling has been complex in one sense but in some cases entirely arbitrary in its interpretation, making it very difficult for us to respond to the consultation constructively. Our concerns with the way the whole process has progressed do not provide us with confidence or the stability that we desire with regard to future capacity availability and price. Of particular concern is the way that Ofgem dealt with the Caythorpe and Blyborough free increments.

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Other general observations on the process are that there has been no independent assessment of the analysis provided by National Grid and that there have been occasions at the workshops where there has been no one from National Grid to provide responses to technical questions on this analysis. The discussions also appear to be dominated by some context specific issues revolving around the capacity constraint at Easington and the desire to increase the baseline for Teesside. These short term issues should not be allowed to drive the baseline allocation agenda.

As a major supplier of gas to the GB market from the Netherlands we are very conscious of the role that imports have to play in this market and also are fully aware of the recent proposals from the European Commission with regard to greater integration of network development and operations across Europe. We request that Ofgem confirm that the future processes developed to determine entry capacity baselines will be tested against these proposals to ensure that they are consistent with the Commissions objectives.

Yours faithfully,



Dr. A.J. Algra
Manager Transport