

Paul Branston
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

29 April 2008

Dear Paul

Re: Open Letter Consultation on National Grid proposal to commence generating electricity at Gas Distribution pressure reduction sites

Statoil (UK) Limited (STUK) supports the principle of the trial project, with respect to potentially reducing carbon emissions for gas distribution and reducing a proportion of the costs associated with the operation of the system.

STUK would welcome further work from the regulator to increase understanding of the risk of diluting the incentive on NG to operate either the transmission or distribution networks efficiently as any significant changes in this area could have unintended consequences, which may result in increased costs to market participants and ultimately, consumers.

STUK would also like to further understand how Ofgem will monitor NGG's costs, to ensure that costs associated with setting up and maintaining the arrangements and costs associated with operating expenditure incurred in the maintenance and operation of the pressure reduction stations are correctly apportioned.

With respect to safety, we acknowledge that the Health and Safety Executive (HSE) will need to be satisfied that the operation of the sites will not negatively impact the safety, reliability and security of the distribution system, however, with regards to the financial consequences of any potential safety issues, for example, loss of supply to end users, the associated liabilities need to be clarified before the sites are operated.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

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Company

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The Register of
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