

Mark Feather
Director, Industry Codes and Licensing
Ofgem
9 Millbank
London
SW1P 3GE

16 January 2009

Dear Mark

Re: Code Governance Review: Charging methodology governance options.

Statoil (UK) Ltd (STUK)

STUK supports a holistic approach to the review of the code governance arrangements, to assess whether successes in one area can be taken across to another. However, STUK does not believe that the concerns with the current code governance arrangements in the UK gas market warrant significant change to the structure of the governance rules.

Whilst STUK recognises Ofgem's concerns that the current governance regime does not allow network users to propose changes to a charging methodology it strongly believes that the benefits of a change to the regime should be balanced against the potential risks.

Allowing network users the ability to formally raise changes to charging methodologies, could create the potential for an influx of change proposals that may serve to unduly thwart effective use of industry resources.

Creating the ability for charging methodologies to be continually amended, upon successful implementation of a change proposal, could have a negative impact on charge stability and predictability which could affect the operational decisions of market players as well as the siting of new developments.

There are also downsides in terms of regulatory risk for the NWOs, as within year changes to charging methodologies could undermine their ability to manage the recovery of their annual revenue allowances by changing the levels of revenue collected, impacting their ability to comply with the requirements of their price control.

STUK views are supported by the findings of the Brattle Group report 'Critique of the industry codes governance arrangements' which suggest that empowering customers to bring forward charging

methodology change proposals, could have significant resourcing implications for Ofgem and the industry as well as creating significant risks for the DNOs.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number

Yours Sincerely

Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed