

Ian Marlee & Kersti Berge
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3G3

16th December 2009

Dear Ian & Kersti,

Project Discovery

We are writing to you on behalf of our gas distribution network operators (National Grid Gas, Northern Gas Networks, Scotia Gas Networks, and Wales & West Utilities) regarding the recently published Project Discovery – Energy Market Scenarios consultation.

We agree that it is vitally important to maintain the security and sustainability of energy supplies over the next 10-15 years to ensure the quality of life and economic competitiveness of the UK. The change in Ofgem's duties in the 2008 Energy Act, and the further proposed modification outlined in the current Energy Bill makes it all the more relevant to consider the current market arrangements and their ability to deliver secure and sustainable energy supplies. Although ENA did not respond directly to the Ofgem October consultation, we thoroughly support the objectives of the Project and the scenario work Ofgem has undertaken to date and we look forward to working with you during the remaining stages of the project.

You may be aware that ENA and its members have established a comprehensive work programme to consider future energy networks, technologies, their interaction, and potential under the Energy Network Futures Group. Nine subgroups have been created for detailed work in various areas - Transmission Scenarios, Distribution Scenarios, Smart Metering, Heat & Energy Saving, Electric Vehicles, Smart Grids, Gas Futures, Feed in Tariffs and ICT. In addition we are already working closely with

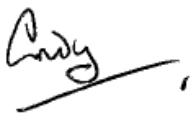
DECC and Ofgem representatives on the development of smart grids and a smart meter roll out.

The role of gas and the gas transmission and distribution networks in the future energy mix is a highly important consideration which is being examined by the ENA Gas Futures Group. ENA and its members believe gas has a substantial role to play in the future energy requirements of the UK through to 2050 and beyond. Therefore plans are in place to progress scenario analysis considering what the future gas networks will look like and how renewable gas will be accommodated on the system.

We recognise that the future global gas market is likely to become increasingly volatile and the UK must examine alternatives which will expose it to less risk of supply disruption and high or variable prices. One particular subject upon which ENA is concentrating is assessing the feasibility of injecting bio-methane into the gas grid. We believe that bio-methane injection into the gas network has the potential to offer a reliable and more efficient utilisation of primary fuel compared to its use for electricity generation, whilst not requiring extensive changes to gas infrastructure and home heating systems. We strongly feel that it could become an important contributor to future long term UK energy supplies and we hope that this will be reflected in your own analysis.

We look forward to your second consultation in the New Year and would welcome future interaction between your team and ENA's gas network members throughout the remainder of the project.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Andy', with a horizontal line underneath it.

Andy Phelps
Director of Regulation