

Bimbola Ayo
Office of Gas & Electricity Markets
9 Millbank
London
SW1P 3GE

Wales & West House
Spooner Close
Celtic Springs
Coedkernew
Newport NP10 8FZ

Tŷ Wales & West
Spooner Close
Celtic Springs
Coedcernyw
Casnewydd NP10 8FZ

T. 029 2027 8500
F. 0870 1450076
www.wwutilities.co.uk

17th September 2010

Gas Distribution Licence Review: Phase I – Proposals for restructuring the Gas Transporters Licence

Dear Bimbola,

The Wales & West Utilities (WWU) response to the proposals for restructuring the Gas Transporters Licence (Phase I) is set out below.

WWU is a licensed Gas Distribution Network (GDN) providing gas transportation services for all major shippers in the UK. We cover $\frac{1}{6}$ th of the UK land mass and deliver to over 2.4 million supply points. WWU is one of only two Licence operators that focus solely on Gas Distribution in the UK.

WWU are supportive of the Ofgem review of the Gas Transporters Licence and will continue to participate in the working group and further consultations in order to assist Ofgem in achieving their objective. WWU appreciate the benefits of clarity and improved ease of use which will hopefully be realised following the review.

WWU support the phased process of the review and believe phase II will be assisted by agreeing the revised structure in advance.

Following consideration of the four structures proposed in the consultation document, WWU would support Option 3 where all Standard Conditions and relevant Standard Special Conditions that would clearly benefit from separation would be re-allocated to the relevant NTS and GDN parts of Part IV of the licence.

Answers to the questions raised in the consultation document are included as an appendix to this letter.

Yours sincerely



Steve Edwards
Head of Commercial and Regulation
Wales & West Utilities

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

APPENDIX

Question 1: Are there any additional options you would like to be included for consideration?

No.

Question 2: Are there other implications of the various options presented which you believe have not been considered?

WWU are concerned that all options envisage totally distinct DN and IGT licences. Considering that, in essence, DNs and IGTs do the same things this does not seem sensible. As it appears likely that the redrafting of the DN licence will take place without reference to the IGT conditions, this separation could potentially lead to inconsistencies between them in areas that ought to be the same. Any such inconsistencies, may impact on shippers as well as final customers. Areas where this may occur is new connections or metering.

Question 3: Do you have a preference for any particular option? Please give reason(s) for your choice.

WWU have considered the four structures proposed in the consultation document and believe that the structure proposed under Option 3 would strike the best balance between expanding the GDN-specific element to facilitate Phase II of the review whilst minimising the impact on both NTS and IGTs.

This option, whilst meeting the objectives of the restructuring would also limit the scope of work to be completed by the GDNs which would be beneficial given the resource constraints which they face.

Option 4 (leave the licence structure as it is) would not be appropriate if Ofgem are to achieve their objective of improving clarity and ease of use of the Gas Transporters licence.

Question 4: Do you have any general comments or observations that you think should be taken into consideration as part of this consultation?

The review is likely to require a significant amount of work from GDNs and incur significant costs. Although the extent of the costs is still uncertain, WWU wish to seek further clarification on how these costs will be funded. It is currently unclear whether the GDNs will be funding all or part of the costs. WWU would like to request that our reasonable costs associated with the review be treated under the term MP_1 (miscellaneous pass-through items) in accordance with Special Condition E3.

Whatever the outcome of this consultation may be, WWU feel that Ofgem need to pay careful consideration to competing demands on resources that will inevitably be faced by GDNs as GDPGR2 gains momentum. Realistic time frames need to be agreed upfront to ensure the review does not extend beyond November 2011 when resources would severely conflict with GDPGR2.

Ofgem need to consider the impact of any possible changes to voting rights as an outcome from DECC's consultation on the Implementation of the EU Third Internal Energy Package.