

Andy McFaul
Head of Better Regulation
Ofgem
9 Millbank
London
SW1P 3GE

21 January 2011

Dear Andy,

PROPOSED CORPORATE STRATEGY AND PLAN 2011-16

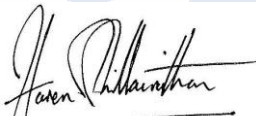
Thank you for the opportunity to comment on the above publication.

NGN believes that the four key themes set out in the plan are suitable and reflect the key challenges facing Ofgem and the energy sector in this period. Clearly with regards to gas distribution most work streams and deliverables for the coming year will be captured within the price control review (RIIO-GD1).

We are disappointed that there is no mention of biomethane connections to gas distribution networks under the theme "Contributing to the Achievement of a Low Carbon Energy Sector". This is in contrast to DECC's Pathways Analysis published in July 2010¹ which recognised the key role biomethane (biogas) can play in delivering low carbon heating as part of the 2050 carbon reduction targets. In addition the ENA's Gas Futures Group commissioned Redpoint Energy to produce the 2050 Gas Futures Scenarios Project report² this analysis was presented to the Authority in October 2010. One of the report's key findings is that biomethane is likely to be a key contributor to meeting the UK's 2050 carbon reduction targets and is a much more economic option than significant electrification of heating. There are a number of regulatory and industry issues to resolve in order to facilitate the envisaged potential of biomethane we believe Ofgem and Ofgem E-serve are ideally placed to lead and coordinate work in this area. Therefore we would like to see Ofgem to identify specific deliverables with respect to biomethane or distributed gas to ensure its development is not hindered.

Please let me know if you would like any clarification of any aspect of this letter.

Yours sincerely



Haren Thillainathan
Regulation Manager

¹ http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/2050/2050.aspx

² http://energynetworks.squarespace.com/storage/ena_publications/ena_gas_future_scenarios_report.pdf