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1st July 2011

Dear Donald,

RE: Competition for Part Funded Connections work - Consultation Document

Thank for the opportunity to respond to the Competition for Part Funded Connections work consultation.

This response is on behalf of National Grid Gas's gas distribution business. National Grid owns and operates the gas transmission system throughout Great Britain and through our low pressure gas distribution business we transport gas to customers in our four networks. This response is not confidential.

Although the consultation issues do not immediately impact upon us, their resolution may in due course influence our regulatory regime and the experience from gas connections may be helpful in considering the consultation issues for electricity connections.

For Gas Distribution Networks (GDNs) non-domestic gas connections are already contestable and the large majority of such connections are undertaken by Independent Connection Providers (ICPs). Where reinforcement to the existing network is required then this may be part funded by the GDN and the customer. In certain circumstances, generally where the reinforcement work is contiguous with the connection point, the reinforcement may be undertaken by the ICP. Where this occurs the GDN will pay the ICP for the full cost of the reinforcement work undertaken. The reinforcement assets are thus owned by the GDN and form part of the network and the payment for the work undertaken is treated as capital investment by the GDN for regulatory purposes. The undertaking of the reinforcement work by an ICP is not dependent upon, nor does it impact upon, the level of contribution by the customer.

These arrangements are dependent upon the form of RAV-related regulation of GDNs. Since Independent Gas Transporters (IGTs) and IDNOs are regulated in a different manner then it is not clear that the same arrangements would be workable for them. We would not consider it appropriate for a GDN to contribute in respect of reinforcement within an IGT network since the asset will vest with the IGT and this would lead to cross-subsidy between the GDN's and IGT's customers.

If you require any further information relating to this response please do not hesitate to contact me.

Yours sincerely

Paul Rogers
Regulatory Frameworks Manager
(by email)