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*Promoting choice and value for  
all gas and electricity customers*

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Date: 13 December 2012

Dear Tim,

**Energy Market Issues for Biomethane (EMIB) Working Group: Treatment of investment to meet existing capacity commitments**

We are writing to you in your capacity as a representative of the EMIB Group.

The EMIB Workgroup was established to consider certain issues which were identified as possible barriers to entry for biomethane producers wishing to connect to the grid. The group's report submitted to Ofgem at the end of May 2012 set out the key conclusions and action items identified by the group.

One of the key issues identified in the report concerned the treatment of costs when circumstances require reinforcement to maintain contracted capacity, eg where an unforeseen reduction in exit demand occurs. The group expressed the view that such costs should be regarded in the same way as other economically and efficiently incurred network investment and the group requested that Ofgem confirm this.

It is not clear to us why you consider that the treatment of costs in these circumstances is not sufficiently covered by the existing legal framework. Should you consider that further clarification is necessary, we would encourage network operators to progress the issue through the normal process by seeking modification to Standard Licence Conditions and/or Connection Charging Methodologies.

Yours Sincerely

**Dora Guzeleva**  
Head of Networks Policy  
Smarter Grids & Governance  
Ofgem

Cc: Distributed Gas Group