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*Promoting choice and
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Dear Keelin

Consultation on implications for Ireland of Planned Reforms of GB Gas Transmission Exit Regime

Thank you for the opportunity to respond to your consultation paper on the implications for Ireland of the planned reforms of the GB gas transmission exit regime. I apologise for the belated submission of this response, however I thought it would be helpful to send you some of our thoughts on the issues raised in your paper.

We note that National Grid Gas (NGG) has raised Modification Proposal 0116V (Reform of the NTS Offtake Arrangements¹) to implement reform of the NTS offtake arrangements and that four alternative Modification Proposals have also been raised in this regard (Modification Proposals 0116A, 0116VB, and 0116VC, 0116VD²). As such, the potential reform of the NTS offtake arrangements is currently subject to the Uniform Network Code modification process and the Authority is unable to fetter its discretion with regards to these modification proposals.

We understand that, should reform of the NTS offtake reforms proceed consistent with Modification Proposal 0116V, market participants and jurisdictions downstream of the Moffat offtake point have a number of concerns regarding the potential impact of such arrangements. These include the potential impact upon the development of competition and the security of gas supplies to jurisdictions downstream of the Moffat offtake, including Ireland, Northern Ireland and the Isle of Man.

Over the past year Ofgem has participated in constructive discussions with the CER, NGG, and other interested parties and jurisdictional representatives downstream of the

¹ It is noted that following the UNC modification panel's consideration of a request made by NGG NTS to vary modification proposal 0116, the proposal was withdrawn on 16 November and replaced by modification proposal 0116V. This proposal incorporates the variations requested by NGG NTS.

² At its November meeting, the UNC panel also considered variation requests to modification proposals 0116B (raised by RWE), and 0116C (raised by British Gas Trading). Following the UNC modification panel's consideration of these matters, these proposals were also withdrawn and re-raised as new modification proposals, 0116VB and 0116VC. Subsequently, Scotia Gas Networks has raised a further modification proposal, namely modification proposal 0116VD.

Moffat offtake. These discussions have assisted in the development of solutions that may address the concerns identified.

It is our view that it is for the parties downstream of Moffat to develop an appropriate way forward that best addresses the concerns that they have identified. However, to the extent that any way forward identified would have implications for the costs incurred by NGG and hence GB customers, Ofgem would need to consider the impact upon GB customers consistent with its statutory duties. It is our initial view, upon considering Options A and B, as set out in the consultation paper, that Option A may best protect the interests of GB customers as it would involve less administrative costs for GB market participants. Furthermore, given NGG's proposals for the flexibility product to be allocated through pay as bid auctions, it is not clear to us how the Option B approach works in practice with respect to this product.

We would also note that, should the way forward identified by parties downstream of the Moffat offtake require an exemption from the Gas Act, then this will be a matter for the Department of Trade and Industry (DTI) to consider. Should such an exemption be required, we would urge the parties downstream of the Moffat offtake to allow the DTI sufficient time to assess any such exemption request and undertake any necessary consultations. It is noted that as a matter of practice the DTI follows the Cabinet Office Code of Practice on consultations and is therefore, other than in exceptional circumstances, likely to require a three month consultation on exemption related matters.

Should you wish to discuss any of the issues raised above, please do not hesitate to contact me.

Yours sincerely,



Mark Feather
Associate Director, Transmission