

Mrs Fay Geitona
Secretary General
CEER
Rue le Titien 28
1000 Brussels
Belgium

Phil Lawton
Distribution Regulation Manager

Phil.lawton@uk.ngrid.com
Direct tel +44 (0)01926 656448
Direct fax +44 (0)01926 656520

www.nationalgrid.com

19 January 2007

Dear Mrs Geitona,

Response to Draft Guidelines on Open Season Procedures

As you are aware National Grid's interests include both gas transmission and distribution. The transmission business is responding to the Open Season consultation via the GIE; this response is on behalf of the distribution business.

National Grid Distribution welcomes the consultation and the opportunity to clarify where the use of Open Seasons is appropriate. As the consultation states an Open Season generally consists of two stages, initially an assessment of market demand and subsequently an allocation of market capacity. In this way the infrastructure provider is able to gauge the demand for additional capacity and shippers are able to access capacity on a non-discriminatory basis.

Whilst we understand the advantages of using an Open Season approach, we do not believe it to be appropriate for gas distribution in the UK for the following reasons.

- In the UK capacity in the gas distribution network is provided in response to customer demand, either in terms of a new connection or to meet rises in aggregate gas demand. Hence, additional capacity is constructed in response to direct customer demand and not economic signals from Shippers.
- Under the UK Gas Act, Gas Transporters already have an obligation to avoid undue discrimination in the connection of a new customer and in the terms of transporting gas and also an obligation to connect any new customer, subject to it being economic to do so. A published standard economic test is used to assess whether it is economical to meet a new connection request and so there is no scope for a UK Gas Transporter to unduly discriminate in the allocation of capacity.
- In addition, in the UK shippers/users effectively have enduring rights to existing distribution capacity and hence have no interest in securing future capacity through an "open season".

Accordingly, we are strongly of the view that the use Open Seasons in UK distribution is both unnecessary, as no-one can hoard capacity in the distribution network, and harmful as it is incompatible with the present arrangements for providing additional capacity.

If you wish to discuss any of these comments any further, please do not hesitate to contact me.

Yours sincerely

By Email

Phil Lawton
Distribution Regulation Manager