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Friday July 27, 2007

NEW CONSULTATION ON ENTRY CAPACITY FOR THE NATIONAL GAS PIPELINE SYSTEM

Energy regulator Ofgem has today (Friday) started a new consultation process to set out how much capacity can be sold at each entry point on the national gas pipeline system.

The consultation looks at how much baseline capacity National Grid must auction off to gas shippers at each entry point on the National Transmission System (NTS).

Setting these baselines raises significant challenges given the changing patterns of gas flows across the NTS due to the connection of more gas import and storage infrastructure. So it is important to ensure that all industry participants have the opportunity to input their views.

National Grid will therefore stage a number of meetings with shippers and other stakeholders in August and September to discuss the baselines and other issues such as the potential for transfer of entry capacity between different entry points on the NTS. Following these discussions Ofgem will issue a consultation on new baseline capacity this autumn.

The letter published today discusses whether the long-term and annual monthly NTS entry capacity auctions should be delayed to allow this consultation process to conclude.

- Ends -

Notes to Editors

1. Ofgem originally consulted on NTS baseline entry capacity levels as part of the review to set Transmission Price Controls for 2007 to 2012. There was a significant change in the capacity levels between those proposed in the Transmission Price Control updated proposals in September 2006 and the final proposals in December last year. At the time of the final proposals Ofgem gave careful consideration as to whether to re-consult on the baseline numbers. However, in view of the need to ensure certainty around the timing and implementation of the Transmission Price Control, Ofgem decided it was appropriate at the time to issue the final proposals with the revised baselines included. However, following the release of the final proposals document there were significant concerns from a number of industry participants regarding the revisions to the entry capacity baselines. In view of these concerns, Ofgem is now re-consulting on the baseline figures.

2. At each entry point National Grid Gas is obliged to offer baseline capacity for sale through a series of long-term and short-term capacity allocation processes (auctions). Shippers can purchase entry capacity rights for up to 17 years ahead through these auctions. Successful bids in the auctions gives shippers financially firm entry capacity rights.

3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem.

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