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Dear Sir,

Thank you for the opportunity to respond to your consultation regarding the extension of investment lead times for the 2006 QSEC auctions. I apologise for the lateness of this response but we felt that the recent statements of Alistair Darling MP warranted a response.

Centrica Storage feels it has no choice but to support such lead time increases because the direct result of rejection of the proposals could lead to entry capacity being managed by the buy back of capacity. The majority of the cost of this mechanism is borne by Users, including Centrica Storage.

The recent statements of Alistair Darling intimated that planning processes could be expedited for critical energy projects. NG have cited planning permission as the primary reason for the increase in lead times. If NG become able to obtain planning permission for new build entry capacity in shorter times than expected then we propose that the lead times at these entry points revert to three years.

We note that NG has little incentive to provide new entry capacity within a three year lead time. We urge Ofgem to reconsider the distribution of costs which are directly caused by the buy back of capacity and weight these towards NG in order to sharpen incentives to provide much needed capacity within reasonable time scales.

Where NG's NTS planning process has previously identified new entry capacity requirements and NG subsequently chose not to request the build of that capacity, for the year affected by the extended lead time, then we believe that NG should become fully exposed to capacity buy back where they are unable to deliver such capacity. We note that NG's Incremental Entry Capacity Release Methodology Statement states that they may request new capacity build where auction signals are not forthcoming and NTS planning indicates a requirement.

The UK gas supply sources are currently changing from the predictable indigenous UK continental shelf to more diverse and price sensitive mix of imports and storage. A significant investment in the NTS is now needed to ensure the UK maintains access to diverse supplies. If new NTS build signals are to continue to rely on investment signals from Users, who generally have short term interest at entry points, then those signals are likely to be insufficient. This would result in reduced availability of gas in the UK market and ultimately cause increased energy prices.

We urge NG and Ofgem to increase the importance of the planning process for new build to ensure that future supplies can be promptly landed in the UK.

Regards

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