

Ofgem
Mr David Haldearn
Director, Scotland & Europe
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United Kingdom

Your message dated	Your reference	Our reference	Date
		PADB/SMA/ TPA4881	12 July 2006

Appendix(es)

Subject **Gas Quality**

Dear David,

Improving security of supply through enhanced cross-border gas flows has rightly been identified as a key regulatory priority. This is a particular issue in relation to the UK where import dependency is projected to reach 50% by 2010.

As you know, Fluxys and GTS, as the Belgian and Dutch transmission system operators, are involved in a range of infrastructure projects designed to increase available supplies to the UK. These include the expansion of the Zeebrugge LNG terminal from 4.5 to 9 bcm by 2007 and planned increases in transit capacity from Eynatten (on the border between Belgium and Germany) and North of Netherlands over Zelzate (on the border with the Netherlands). These increases in transit capacity have attracted considerable interest from shippers and potentially make available a further 7-8 bcm of gas for export to the UK. The concerns set out in this letter are shared by those shippers.

With the planned increase in reverse flow capacity of the Bacton-Zeebrugge Interconnector to more than 23.5 bcm by October of this year, the necessary infrastructure for importing such additional supplies into the UK will also be in place. By the end of this year the BBL is coming on stream bringing substantial volume of gas from the Netherlands to the UK. The Netherlands intend to import LNG in the nearby future, that will partially flow to the UK and to Zelzate and consequently to Zeebrugge. However, the different gas quality specifications as between the UK and Continental Europe remain a significant obstacle to the implementation of the transit capacity expansions described above and thereby to achieving security of supply in practice.

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As recognised by Ministers at the Transport, Telecommunications and Energy Council meeting earlier this month, resolving issues relating to gas quality is key to ensuring that technical inter-operability difficulties do not stand in the way of the proper functioning of gas markets. Fluxys and GTS fully support this goal and the initiatives and discussions which have already taken place amongst regulators and interested parties on this issue, leading recently to an EASEE-gas recommendation on the Wobbe Index specification for European gas supplies. However, the continuing divergence between the EASEE-gas recommendation (at 56,92 MJ/m³ (n)) and the narrower specification allowed in the UK (54.18 MJ/m³ (n)) means that a solution needs to be found quickly to avoid gas which would otherwise be available for the UK not reaching the market for technical reasons.

The issue is a very real one for Fluxys and GTS and those shippers wishing to bring gas to the UK. In particular, gas entering the Fluxys' grid from the Netherlands to the extent it would be at 56,92 MJ/m³ (n) or, similarly, LNG delivered at the Zeebrugge terminal or Norwegian gas landed via the Zeepipe Wobbe Index in excess of 54.18 MJ/m³ (n) cannot be transited as such to the UK.


In order to resolve these difficulties quickly, Fluxys and GTS and interested shippers believe strongly that a flexible approach needs to be applied. This would involve principally a commitment to try to optimise gas flows at both Belgium, the Netherlands and Bacton through commingling with other available gas sources to ensure that, as far as possible, the existing different specifications are respected.

Such optimisation of flows across the respective gas profiles may well prove sufficient on its own to ensure that gas delivered into the National Transportation System at Bacton is at 54.18 MJ/m³ (n), particularly given that Fluxys and GTS would also use reasonable endeavours to send lower Wobbe Index gas towards the Interconnector wherever possible. In addition, to the extent necessary given the blending possibilities available with leaner beach gas at Bacton, nitrogen ballasting could also be used in Bacton to blend off-specification gas. Whilst blending could also in theory take place in Zeebrugge and Julianadorp (BBL entry), this would not be practical given that a.o. ballasting has to be done at two places. It would also wastefully fill some of the Bacton-Zeebrugge Interconnector and BBL capacity with nitrogen.

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Fluxys and GTS are committed to working with the European Commission and other regulators and interested parties in order to solve this problem as quickly as possible. However, timing is tight if the transit projects mentioned above are not to be jeopardised and an important source of gas for the UK market lost.


Yours sincerely

on behalf of


FLUXYS S.A.
Pascal De Buck
Deputy Director



FLUXYS S.A.
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This letter was also sent to Ofgem, for the attention of Mr David Haldearn, Director, Scotland & Europe

with copy to :

- * European Commission, Directorate General for Energy and Transport,
for the attention of Mr J. Enzmann
- * European Commission, Directorate General for Competition
for the attention of Mr D. Schnichels