

Gas Quality Economic Regulation Workstream - Terms of Reference

Objective: To consider a range of options, guided by the principle of cost targeting, to identify the most appropriate regulatory framework to apply to any gas processing facility developed to address gas quality issues. The options considered should cover all possible solutions and consider a spectrum of potential frameworks from regulated to unregulated scenarios. Within each of these potential solutions a range of sensitivities should be considered including, amongst other things, incentives on parties to secure gas within GB specifications, cost recovery, stranded asset risks, associated costs, anti hoarding arrangements and complexity of arrangements. The key output of this workstream will be a published document to be used in considering the most appropriate regulatory framework to apply to any gas processing facility that is developed.

Scope: The group will:

- **Review and assess** a range of options, guided by the principle of cost targeting, to identify the most appropriate regulatory framework to apply to any gas processing facility. These options should examine a whole spectrum of possible solutions including regulated, unregulated and hybrid approaches as well as considering the sensitivities around any potential solutions.
- **Identify for discussion** any additional regulatory frameworks which could feasibly be developed to apply to a gas processing facility;
- **Identify for discussion** the most appropriate arrangements that would need to be implemented to support each potential regulatory framework put in place to support any gas processing facility;
- **Establish** an agreed timescale for evaluation of all potential solutions developed by the group.

The scope of the Group will be limited to considering potential regulatory frameworks that could be applied to any gas processing facility developed to address issues of gas quality. The group will work within current legislation, specifically current GB gas quality parameters and any solution developed will need to be consistent with the principle of ensuring that gas that falls outside of GB quality specifications is appropriately processed prior to entry onto the NTS.

Participation: The Group will be chaired and facilitated by Ofgem and involve the participation of suppliers, shippers, infrastructure representatives, customers, National Grid, representative bodies, trade associations and interested parties. Relevant experts will be made available to the Group.