

Gas Quality Scenario Development Working Group Meeting 2

7 December 2006

GTS, Schiphol Airport, Amsterdam

Participants: Peter Dickinson (Ofgem), Vanja Munerati (Ofgem), Dan Farmiloe (Ofgem), Sonia Brown (Ofgem), Matt Golding (NG), Peter Parsons (NG), Simon Goldring (Centrica), Jamie Walsh (E.On), Juan Vazquez (Fluxys), Dick Vermeulen (GTS), Dick Hoekstra (GTS), Christiane Sykes (Statoil), Sean Warring (IUK).

Ofgem opened the meeting, welcomed the Working Group participants and thanked GTS for hosting the event.

GTS presented their views on future gas flows to GB through BBL. Similarly, Fluxys presented theirs on the estimated Bacton flows through the Interconnector UK (IUK). On the Fluxys presentation, it was agreed that a scenario should be developed that shows the maximum possible physical delivery before any contractual restrictions are put in place. Fluxys agreed to take this forward. Following this, NG summarised their best estimate of the likelihood of flows to the Bacton terminal. Overall, the TSO views were characterised with high level of uncertainty in regards to probable flows and highlighted that shippers not transporters will determine gas flows and qualities.

The market participants welcomed the continued effort by Ofgem and NG in pursuing gas quality issues, though expressed reservations as to whether shippers and suppliers were able to provide the future flow information requested by Ofgem.

It was accepted by shipper representatives that the risk of managing a potential gas quality constraint does rest with the competitive market. Either a buyer or a seller of a contract will need to manage the risk depending on the contract terms. Shippers mentioned that it was difficult to comment specifically given concerns surrounding commercial confidentiality of contract information.

A shipper representative suggested that it might be best for an independent market survey of potential future deliveries to be commissioned – funding of this study could be discussed.

In discussing the presentations from GTS and Fluxys it was clear that a key variable was where an additional Norwegian pipeline was likely to connect to. Statoil agreed to provide more information (to the extent that this was possible) at the next meeting.

The participants agreed the format for the final meeting of the gas quality workstream and noted that the discussion at this meeting should focus on the Bacton terminal. It was also stressed that shippers outside GB should be made aware of the discussions and the conclusions of the workstream.