

Distrigas response_G0 July.txt

From: Henri.Cattoor@distrigas.be

Sent: 20 August 2007 08:07

To: GB Markets

Subject: The economic regulation of gas processing services - consultation

Follow Up Flag: Follow up

Flag Status: Purple

Dear Madam, dear Sir,

Thank you for the opportunity to submit our views in relation to the regulation of gas processing services.

Although we do not have the intention to make a full response to your inquiry, we would appreciate if you could consider the following.

We would want to limit our comments to the situation of Belgian Interconnector (BI) at Bacton

The gas quality parameters for the BI have at conception been determined as the most stringent between the UK and Belgium, with the UK specification generally being the narrower. Moreover, the gas quality parameters for the Belgian transit system connected to the BI do meet the same specification and are within a narrower range than those accepted in other Belgian systems. As a consequence, all natural gas accepted into the BI and its connected Belgian transit system meets both the UK and the Belgian gas quality specification requirements. Natural gas available at Bacton normally meets the BI specification and can therefore freely flow into Belgium, but natural gas available in Zeebrugge other than through the dedicated transit system does not necessarily meet the UK specification. However, shippers in the Belgian transit system connected to the BI have access to natural gas within the UK specification and these shippers cannot be expected to give up their contractual rights for redelivery within such narrow specification if the consequence would be that they risk incurring gas quality conversion costs, be it in the UK or in Belgium. Therefore, gas processing services at the Bacton end of the BI will not be booked by BI shippers nor by their NTS counterparts and natural gas available in Zeebrugge with gas quality specification parameters outside the UK specification, will not be made available to the UK market. The only reasonable way out of this pat situation would be to ensure to BI shippers (and to the shippers in the connected Belgian transit system) that gas processing services at the Bacton end of the BI are guaranteed to be available free of charge in sufficient quantity.

We understand that were such arrangements put in place for the BI at Bacton, they would raise justified claims from other terminals where investors / shippers have already paid for / are paying for such gas processing services. It would only be fair to arrange for adequate compensation in those cases as well. In our view, a possible way forward could be that compensation would be strictly proportional to quantities of natural landed at those terminals, as this would, in comparison to the payment of a lump sum, create an more enduring incentive for bringing natural gas to the UK market through these terminals.

I hope this is helpful to you.

With kind regards

Henri Cattoor

Head of Portfolio Management, Operations and Trading Distrigas S.A.

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