

Response by GTS to Ofgem's Consultation Document 176/07
(The economic regulation of gas processing services – key issues and initial thoughts;
date of publication 11 July 2007)

As an interested party in the gas quality issues affecting Europe and the UK GTS hereby would like to respond to the consultation document 176/07.

GTS supports harmonisation of gas quality in Europe. In October 2005 we ratified the EASEE-gas Common Business Practice 2005-001-001 on Gas Quality Harmonisation. We believe the best way to solve problems of gas quality between Europe and the UK would be for the UK to adapt its quality specifications to the European standards.

Since DBERR has indicated that the specifications of the GS(M)R will not be changed before 2020 this means that there is a possibility of gas intended for transportation through The Netherlands and BBL to the UK market being left in The Netherlands if it is outwith UK specifications; this could therefore lead to shortage of supplies in the UK. This risk is difficult to quantify at present but if the UK authorities wish to remove such risk gas processing services upstream from National Transmission System in the UK will be necessary.

The most economical way (through which the British consumer will face the lowest costs) is to realize these services in Bacton rather than on the continent. We note that at meetings we have attended that at present companies appear unwilling to make any financial commitment in relation to the construction of such facilities

The European specifications will be set by CEN and this will not be done in the short term. Besides, it takes about five years to build a gas processing plant. Therefore GTS acknowledges that it will take a long time before gas processing services in the UK will be realized if at all.

To GTS the most important thing is that if there is a need the gas processing services will be realized as soon as possible. The workshops we have attended however made it clear that the market is unlikely to act. Also in the Netherlands we have received no signals from commercial parties that they intend to take steps with respect to this matter.

As far as the ideas upon the process of initializing gas treatment services (in the hybrid model) are concerned from what we have seen we believe that no party is likely to commit to a feasibility study given the uncertainty of the revenues and the failure to quantify the risk. Maybe it is a better idea to undertake an Open Season for treatment services first giving a rough indication of tariffs to which parties could make a commitment. And after that a feasibility study could be carried out in order to determine the tariffs more precisely. Parties could be given the opportunity to withdraw if the precise tariffs differ more than a certain percentage from the estimated tariffs.