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Robert Hull
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Dear Robert

TPCR approach to baseline determination

Thank you for the opportunity to respond to the TPCR baseline re-consultation paper dated 3 October 2007 on behalf of Teesside Gas Processing Plant (TGPP) Limited. TGPP is one of two gas processing facilities that process gas landing at Teesside via the Central Area Transmission System, and as such we maintain an interest in the efficient operation of the UK Entry Capacity regime.

Our comments are as follows (note these are not confidential):

1. The initial baselines for Teesside in this TPCR have dramatically reduced from the ones set in the 2002-2007 review, which is not conducive to the development of downstream industry on Teesside or to the development of further offshore gas projects being brought through the Teesside terminals.
2. The previous baselines were significantly higher sending signals to both the onshore and offshore industry that there was sufficient capacity available for further development. Long term decisions, such as offshore exploration expenditure, will have been made based on the original baselines (in effect assumptions about the long term cost of Teesside entry capacity). The indicated baseline reduction may now have a detrimental effect on these projects and reduce the competitiveness of developing future projects via CATS and Teesside.
3. An NGG presentation in July showed the number of buybacks from April 2002 to July 2006 with 84% from St Fergus. With the new pipeline project at St Fergus and based on the figures reported by NGG the need for buy backs would appear to be dramatically reduced.
4. Given the additional capital expenditure to increase St Fergus capacity and a further £1.2 - £1.5 billion being spent to flow additional volumes of gas at Easington,

Milford Haven, Isle of Grain and Bacton, it is difficult to see where the constraints are on the network and why they are not being removed as part of this programme. We would need more data in order to have confidence that the baseline reduction at Teesside is due to a real constraint and if so what has caused this.



5. Teesside is now a sold out ASEP, with the follow-on effect of increased capacity reserve prices. This places Teesside as an entry point at a competitive disadvantage by paying more for spare capacity than other ASEP's with unsold capacity.

6. We accept that some reduction in the Teesside baseline from the 70 MCMD that applied in the period 2002-2007 is justified. However, we contend firstly that the cut to as low a level as 33 MCMD has not been justified and secondly that significant reductions should be phased in over a longer period, rather than the dramatic and unforeseen reduction to 33 MCMD "overnight".

7. In addition to reducing the baseline at Teesside, there appears to be significant excess baseline capacity at Bacton, Theddlethorpe, Barrow and St Fergus, far in excess of possible gas flows (noting in addition the impact of changes such as the cancellation of the Troll project). Baselines could also be reduced at these ASEPs in order to provide additional baseline at Teesside without an obvious impact on Shippers at these terminals.

8. To provide flexibility going forward, the Transfer & Trade process should allow daily firm capacity not required at St Fergus to be used at Teesside.

Yours sincerely,

Andy Heppel
Chief Executive Officer
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