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28 April 2008

Dear Rachel,

**Open Letter Consultation on National Grid proposal to commence generating electricity at Gas Distribution pressure reduction sites**

I am writing to further to the above consultation letter. I attach Wales & West Utilities Ltd detailed comments to the specific questions raised.

For the avoidance of doubt this response may be placed in the public domain. Please contact me if you require any further information.

Yours sincerely,



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24 hour gas escape number  
Rhif 24 awr os bydd nwy yn gollwng

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\*calls will be recorded and may be monitored  
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**WWU's detailed comments to the specific questions raised in the Open Letter  
Consultation on National Grids proposal to commence generating electricity at Gas  
Distribution pressure reduction sites**

**Do respondents agree with NG's proposed environmental benefits associated with this technology?**

Yes, WWU agree with both NG and Ofgem that potential exists to provide both environmental and financial benefits to the consumer from the use of turbo-expanders at Pressure Reduction Sites.

**Are there any potential benefits, costs or risks to consumers that have not been considered in this letter?**

The main benefits have been identified. Until the trial has been up and running for a period of time the full implications cannot be assessed.

**Are there any other licence conditions that could be affected by NGG's proposal?**

It is arguable that consent is required under SS27. It is our understanding that the existing pre-heater will be retained and maintained and can therefore be used at any time. The new heat source will be provided by a third-party but under requirements laid out by NGG. Therefore we take the view that on balance SS27 consent is not required.

We do not have sufficient information in respect of the proposal to comment on the appropriateness of a possible requirement for consent under SS39.

**Should this kind of arrangement be ruled out as it has the potential to dilute the incentive on NG to operate either the transmission or distribution networks efficiently?**

No, NG still has its Gas Act and license obligations to operate networks efficiently.

**Should NGG be looking at the opportunities to reduce pressures on the National Transmission System to prevent the need for excessive pressure reduction at these sites?**

In principle yes, as long as the pressure commitments to the networks, enshrined in the OCS process, are maintained and that the ability of NTS to deliver Flexibility to the system is not comprised. This obviously needs to have a factor of safety included to ensure distribution networks are not put at undue risk.

**Given that NG also owns the England and Wales electricity transmission network, and is therefore not allowed to generate electricity itself, are there any concerns regarding this proposal from this perspective?**

Given the possible potential benefits to the environment and consumers together with the proposed scale of the trial we do not see any grounds for concern at this time.

**Are there any other issues Ofgem should be considering in reviewing NGG's proposal?**

The current shrinkage and emissions mechanisms will only provide a very marginal contribution to the significant costs of such schemes. These marginal benefits by themselves will have negligible impact on the business case. There are no obvious immediate benefits to gas consumers that arise from the implementation of such schemes as the present system operation and management is unaffected and it is not possible to see at this time how, for example, capex or opex savings could be made. However there are wider societal benefits through the reduction in emissions of greenhouse gases and gas consumers will benefit in common with all citizens. There is therefore a *prima facie* case for a proportion of the funding for these types of projects to be met by gas consumers as part of the process to meet the Governments declared environmental targets.

**Should Ofgem be considering the proposal to reduce own use gas for pre-heat using biomass generators separately from the proposal to convert the energy lost in depressurisation into electricity using turbo-expanders?**

Yes, these are totally separate processes and should be dealt as such.

**Are there any modifications to NGG's gas transportation licences that would be appropriate to safeguard consumers if the Authority grants the relevant consents?**

There are several mechanisms already in place such as, price controls and licence conditions that will provide appropriate safeguards for consumers. No additional safeguard modifications are seen as necessary.