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21 May 2009

Bogdan Kowalewicz
Gas Transmission
Ofgem
9 Millbank
London
SW1P 3GE

Proposed disposal of part of NTS
for Carbon Capture & Storage

Dear Bogdan,

ExxonMobil Gas Marketing Europe Ltd (EMGME) welcomes the opportunity to comment on the consultation into the proposed sale of part of the NTS for use as a transportation network for CO₂.

We agree that, in principle, this project is a good idea. Carbon Capture and Storage is an important development for the UK and new ideas and opportunities should be explored. However, as always, we believe the devil is in the detail and care should be taken, going forward, that unintended consequences do not arise from the desire to reach a quick result without fully considering all of the implications.

In terms of the impact that the sale would have on the system capability in the St Fergus area, we are concerned that there are many uncertainties which make it difficult for us to assess. The implementation of Substitution, the uncertainty surrounding the availability of flexibility, the potential for baselines to change in the 2012 Price Control and the potential for new supplies coming into the area, all make it difficult to predict what the system capability will be in 2013 when the project will be completed. We therefore think that an independent audit of the system's capability, by a party that is given access to all the relevant data, is necessary to ensure that the feeder pipes can legitimately be released without unduly constraining the gas network. However, if it is proven that the network can stand the withdrawal of the feeder pipes then we think it is appropriate that Nation Grid looks to find an alternative use for them.

Similarly if the audit does show that the sale of these feeder pipes is viable then National Grid's buyback risk should not increase because it will mean that they are not necessary for the expected usage. Even if the additional compression is not added the increased buyback risk should be small. If, however, the audit shows that removing these pipes from the regulated asset base significantly constrains the system then the sale should not proceed. It would be inefficient to find at some point further down the line that additional investment is

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required in order to recreate the gas network capacity that was removed by this project.

In terms of Security of Supply to the UK, Ofgem needs to satisfy itself that measures being drawn up in European Security of Supply Directive (or Regulation) can still be satisfied if these assets are sold.

If you have any questions regarding this response, please don't hesitate to contact me.

Yours Sincerely

Joy Chadwick