

Gas Quality: A National Grid Perspective

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Presentation Content

- ◆ National Grid NTS position on the issues in 2007
- ◆ Review of processing at Bacton
- ◆ Thoughts on Fluxys' presentation
- ◆ UK import supplies
- ◆ Other gas quality issues
- ◆ Summary

National Grid NTS Views in 2007

- 1) “The current framework has delivered, and will continue to facilitate, efficient investment in gas processing”
 - ◆ “Normal commercial incentives are the appropriate mechanism”
- 2) “NGG does not believe that blending on the NTS is feasible”
- 3) “Gas blending at the onshore terminal is only appropriate in addition to, and not as a substitute for, gas processing”
- 4) “At the Bacton terminal, there may be merit in the provision of a regulated gas processing service”
- 5) If it were decided that National Grid NTS should provide a processing service:
 - ◆ Requires a fundamental change to the regulatory framework
 - ◆ Requires development of appropriate funding arrangements

Current views on a processing plant at Bacton

- ◆ We are not best placed to judge what, if anything, should be built
 - ◆ We are not responsible for the provision of supply
 - ◆ Energy Markets Outlook to be published shortly
- ◆ Building and operating such a plant would be difficult
- ◆ Would improve the current situation
- ◆ However, the time of flight through the facility may require complex design to avoid GS(M)R compliance risks
- ◆ Alternative commercial solutions may be feasible

A processing plant at Bacton?

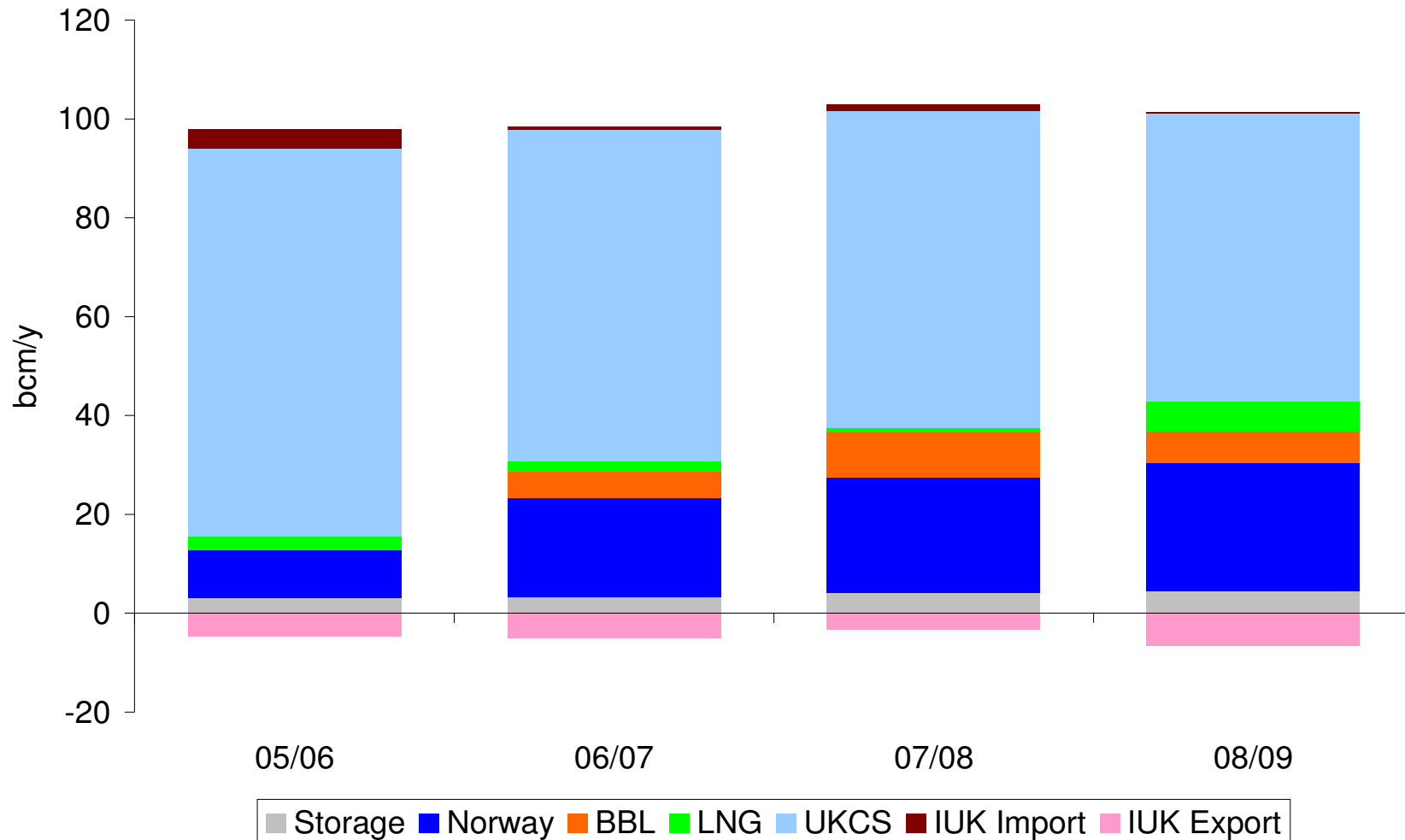
Key Issues

- ◆ Planning permission / land
- ◆ Complexity of design
- ◆ Leadtime (4-5 years)
- ◆ Demand for the service
 - ◆ Impact of energy efficiency
- ◆ Reliability (vs a pipe and a compressor)
- ◆ Emissions
- ◆ Funding arrangements
- ◆ All other importers are required to meet GB entry specification
- ◆ EU gas quality (CEN outcome uncertainty)

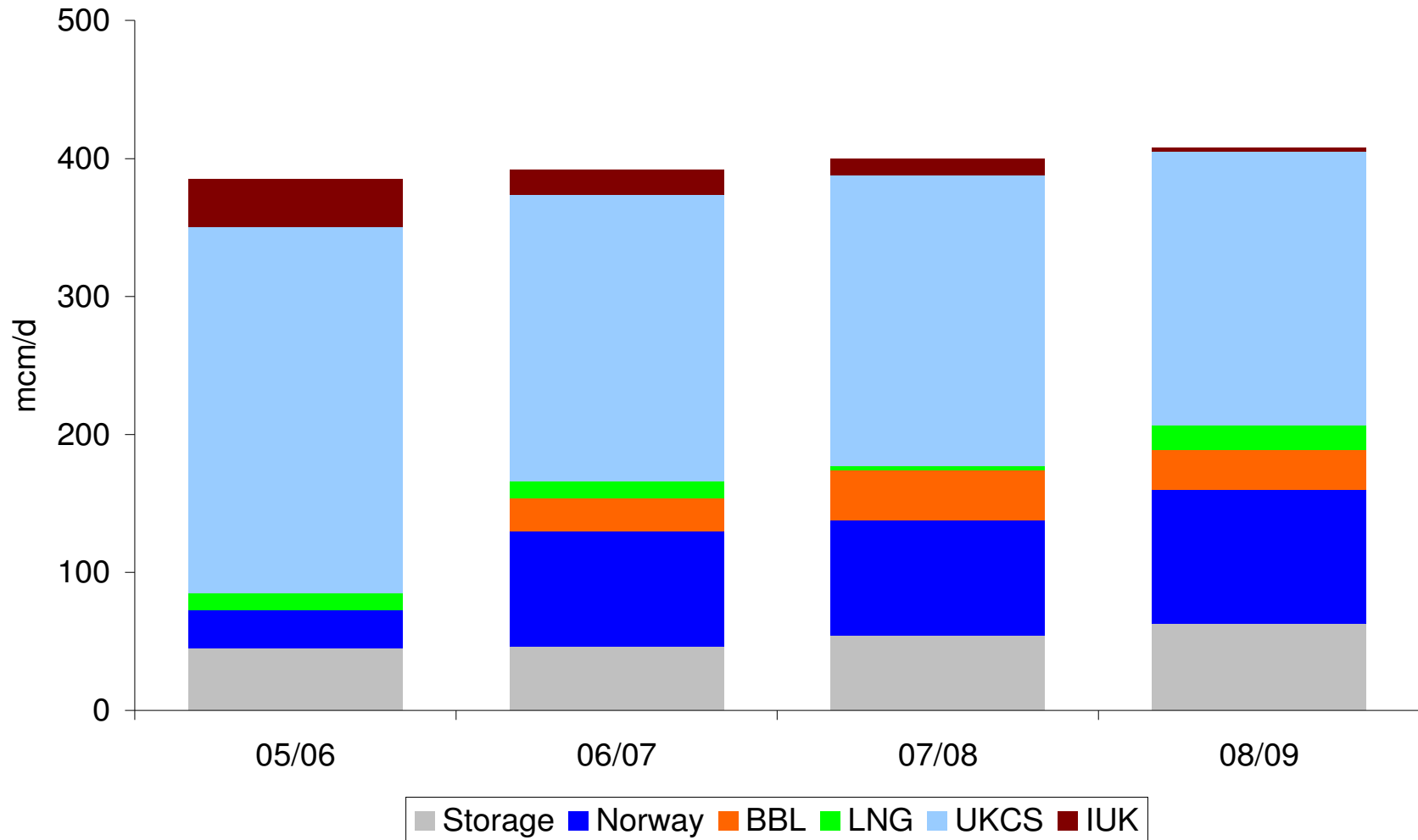
Thoughts on Fluxys' Presentation

- ◆ Fluxys presents credible scenarios
- ◆ Magnitude of the risk is difficult to judge
- ◆ Nordstream Wobbe range appears extreme
 - ◆ An estimate and likely to be commingled with leaner gas
- ◆ European gas flow patterns are changing and are likely to become less predictable

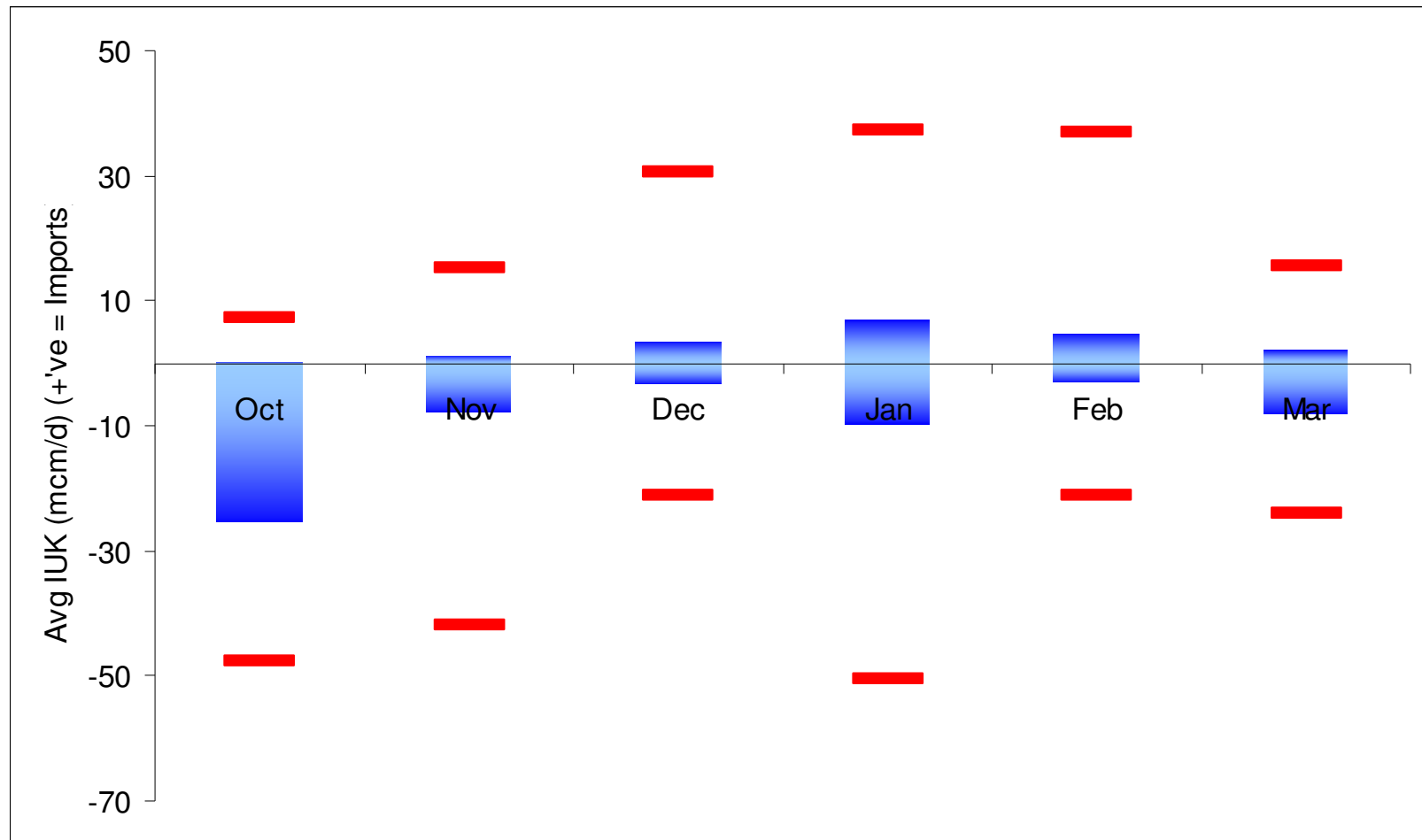
Historic NTS Supplies



Average Flows, Top 20 Demand Days

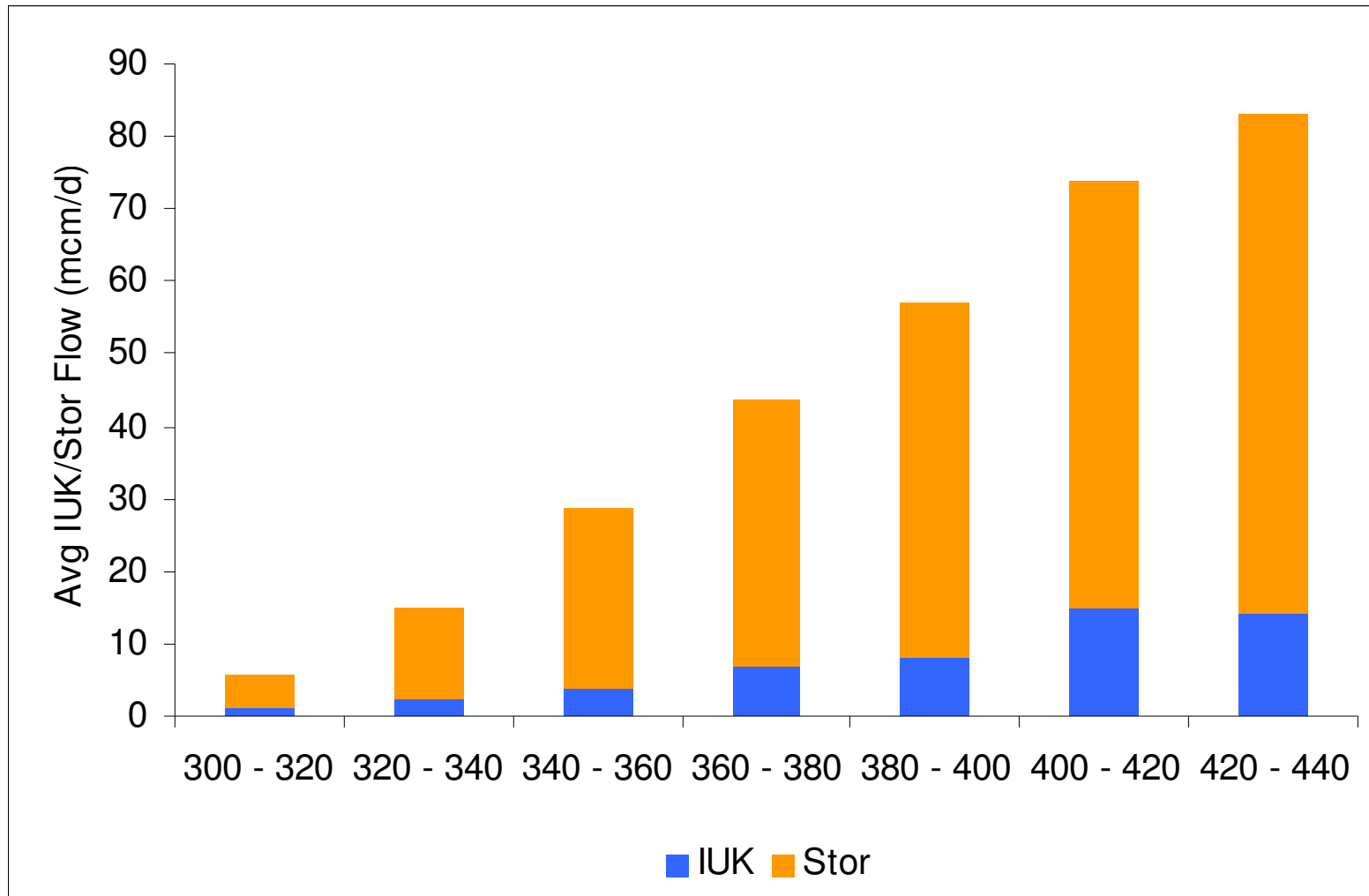


Average IUK Flows 2006/7 to 2008/9

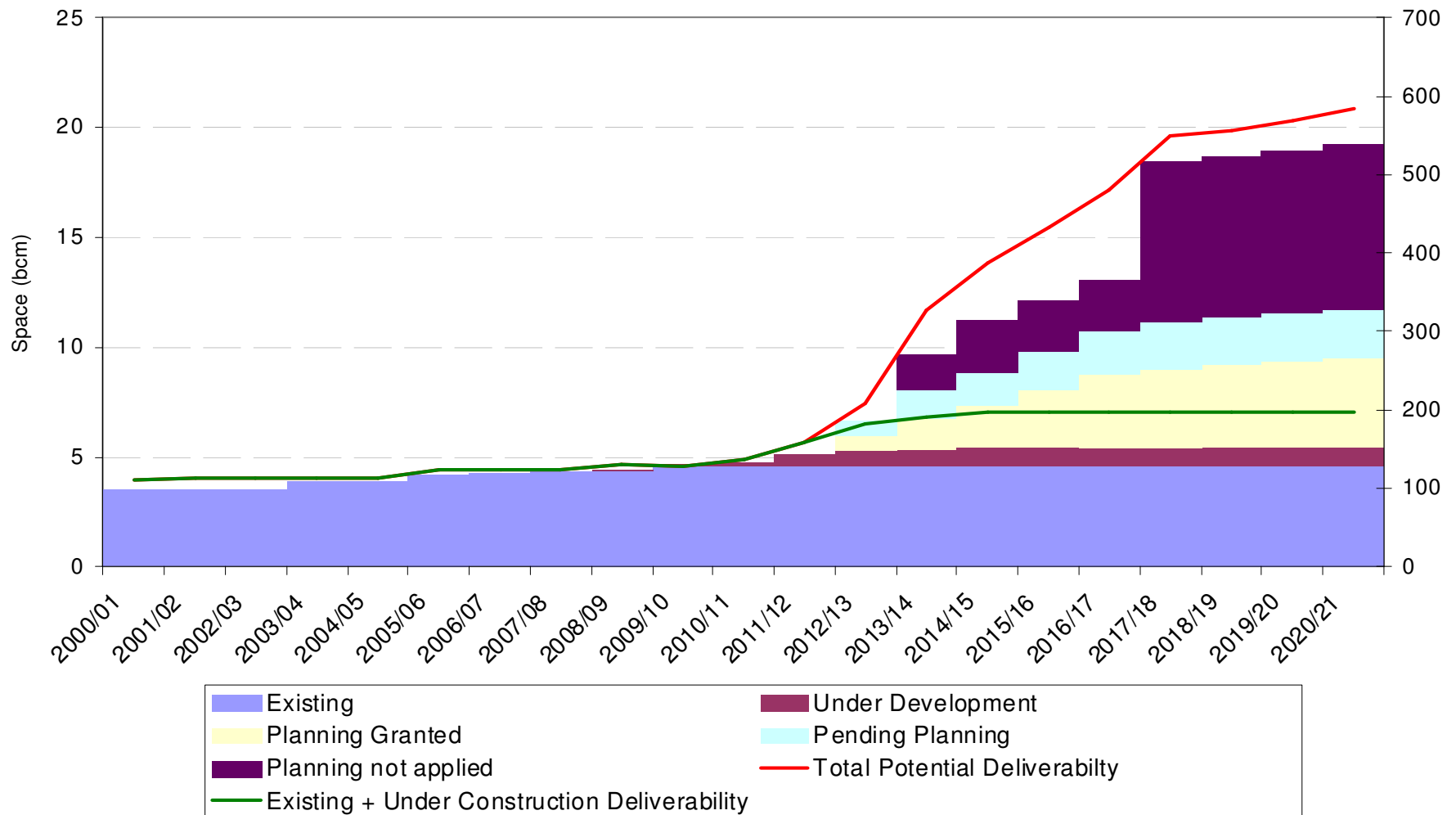


 Maximum flow

Historic Storage / IUK usage (06/07 – 08/09)



Historic and Forecast UK Storage Capacity



Future view

- ◆ We do not expect IUK to import aggressively this winter at demands below ~400 mcmd (Winter Outlook Report)
- ◆ New storage being developed in UK is typically mid-duration high deliverability
- ◆ Storage will continue to provide most of the swing supplies at high demands

Other Gas Quality Issues

- ◆ UKCS decline
- ◆ Growth of unconventional sources (biogas, CBM)
- ◆ CV regime
 - ◆ Appropriateness of current flow weighted average methodology
 - ◆ Management of low CV sources
 - ◆ UNC Review Group 0251 will report shortly

Summary

- ◆ We recognise the potential issues presented by Fluxys but are not immediately concerned for UK security of supply
- ◆ We are willing to help facilitate a solution but the limitations of our current role need to be recognised
- ◆ Significant issues would need to be resolved to implement a processing solution at Bacton
- ◆ A processing solution needs to be evaluated against other options
- ◆ There are other gas quality issues to consider