

The background features a large, stylized white arrow pointing right, overlaid on a blurred image of a gas burner with blue and orange flames. The overall color palette is light blue and white.

Gas Quality Workshop

Ian Marlee

Partner, Trading Arrangements

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Welcome

1. Housekeeping

2. Agenda

09.30-10.45	Presentations and short discussions (Ofgem, Fluxys)
10.45-11.00	Break
11.00-12.00	Presentations and short discussions (NG, IUK)
12.00-13.00	General discussion and Ofgem's closing comments
13.00-13.50	Lunch

3. SO incentives workshop at 14.30

Aims of the workshop

1. Share information

- Recap on previous work
- Consider changes in European gas specs and flows
- Consider changes in the GB market
- Discuss the extent of the problem and possible solutions

2. Consider the next steps

Background

1. Government led three phase review (from 2003)

- **Order of magnitude difference in the costs associated with changing GB GQ specs and investing in gas processing facilities**
- **GB GQ specs – no change before 2020/ no change proposed post-2020**

"the Government can reaffirm the 2004 assurance that it will not propose changes to GB's regulated gas specifications to take effect before around the end of the next decade, i.e. 2020, and, in the light of the present exercise, it confirms that it is not proposing changes post-2020." (BERR, Nov.2007)

- **Support work aimed at maximising commercial flexibilities in the period until 2020 (and beyond) (DECC, Ofgem, HSE)**
- **Engage fully on CEN project (DECC)**
 - This does not mean that the GB will be required to change gas specs in the future

Background (continued)

2. Ofgem's work (2006-2007)

Workstream 1: Scenario Development

Workstream 2: Economic Regulation

3. Conclusions document (Jan 2007)

Workstream 1: uncertainty as to whether, and to what extent, GQ could be an issue

Workstream 2: preference for the hybrid model and licence obligation drafted

Ofgem (in consultation with industry) decided that there were a number of issues regarding the economic regulation workstream that required further clarification before the proposed approach to funding gas processing facilities was progressed

Ofgem's initial views – consultation (July '07)

Issues for further consideration	Ofgem's views
Uncertainty regarding the need for gas processing services	Market participants better placed to assess than regulator
Cost targeting (free-riding)	Difficulties exist, but solutions should be possible
NGG's role	NGG could be the lowest cost provider, but this does not mean regulated returns are necessary
Upstream issues	Market participants to lead in identifying barriers to investment and work with Ofgem/DECC to address them
Impacts on competition / other investment decisions	Need for consistency – the regulator must not unduly distort competition

The information gained through the consultation process was insufficient for Ofgem to move from its initial views

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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Promoting choice and value
for all gas and electricity customers