



To all interested parties

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*Promoting choice and value for  
all gas and electricity customers*

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**Proposed disposal of part of National Grid's National Transmission System for Carbon Capture and Storage: Publication of independent studies by Wood Mackenzie and Poyry Energy Consulting**

The Department of Energy and Climate Change (DECC) is holding a competition to demonstrate commercial scale Carbon Capture and Storage (CCS) in the UK. This competition is driven in part by a realisation that coal will provide a significant proportion of electricity supply both in the UK and worldwide. The use of coal to generate electricity gives rise to the emission of significant quantities of carbon dioxide (CO<sub>2</sub>). CCS is seen as a technology that will potentially allow the use of coal for electricity generation without compromising the Government's CO<sub>2</sub> targets.

National Grid's potential involvement in CO<sub>2</sub> transportation is through offering onshore transportation services to one of the parties primarily responsible for transporting and storing CO<sub>2</sub> in the context of the DECC competition. National Grid has identified a possible opportunity to participate in the competition by using some of the current National Transmission System (NTS) assets to provide onshore transportation of CO<sub>2</sub> from coal fired power stations to permanent storage. Accordingly, National Grid approached Ofgem with an outline proposal for the possible disposal and alternative use of some of its National Transmission System assets for Carbon Capture and Storage (CCS) in Scotland.

National Grid's proposal may have merit because it would help to tackle climate change by allowing faster testing of the feasibility of CCS as a means of abating carbon, and could benefit customers by finding an alternative (or more valuable) use for network assets leading to lower transportation bills. There may also be downsides if the proposals led to bottlenecks on the gas network in the event of new supplies wanting to utilise the capacity of those assets, or if the transfer of the assets does not allow others to use the capacity to transport carbon dioxide on reasonable terms.

The Authority has a role in granting consent for this and other significant disposals of NTS assets. Our initial consultation paper, "Proposed disposal of part of NTS for Carbon Capture and Storage" (Ref: 35/09, published 8 April 2009), highlighted the key issues, regulatory concerns and benefits associated with this proposal. It set out to describe the CCS opportunity, outlined aspects of National Grid's proposal, and presented our initial analysis. It also invited comments and views on the proposal to inform the decision on whether to grant consent to the proposed disposal. It was made clear that this was an initial consultation and that further consultation stages would be needed if the proposal were progressed further.

We received 27 non-confidential responses to our consultation and these are published on Ofgem's website. We have worked with National Grid throughout the remainder of 2009 to address the issues raised by respondents, and further independent studies have been undertaken in response to some of the queries raised by respondents. Two particular concerns expressed by respondents were about the forecast supply scenarios which National Grid has developed indicating the probable levels of future gas flows coming in to the St. Fergus entry point, and about the robustness of the network modelling which National Grid carried out to determine the capability of the network in Scotland with one of the feeders removed.

In order to address these concerns, independent studies were undertaken last year by Wood Mackenzie and Poyry Energy Consulting, focusing on flow forecasts at St. Fergus and on conducting an audit of National Grid's network analysis, respectively. We are now able to publish the Poyry Energy Consulting report in full, and a non-confidential summary of the Wood Mackenzie study. We invite comments on both reports from all interested parties.

Responses should be received by 19 February 2010 and should be sent to:

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Gas Transmission  
Ofgem  
9 Millbank  
London SW1P 3GE

E-mail responses should be sent to:  
[gas.transmissionresponse@ofgem.gov.uk](mailto:gas.transmissionresponse@ofgem.gov.uk)

We plan to publish a further consultation on the proposed disposal of NTS assets for CCS by 1 April 2010. This will describe National Grid's revised proposal and provide answers to the queries raised, as well as setting out our updated analysis.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stuart Cook', written over a horizontal line.

Stuart Cook  
**Acting Senior Partner, Transmission and Governance**