SCOTTISHPOWER
Energy Wholesale

Bogdan Kowalewicz
Senior Manager Gas Transmission,
Ofgem,
9 Millbank,
London,
SW1P 3GE

19 February 2009

Dear Mr. Kowalewicz,

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

Thank you for the opportunity to comment on the above reports, the former of which focuses on flow forecasts at St. Fergus and the latter representing an audit of National Grid's network analysis.

This response is submitted on behalf of the ScottishPower Group. We operate some 3.5GW of coal plant and nearly 2GW of gas fired stations. In addition we are the holders of a Gas Shipper Licence and significantly in the context of this consultation are one of the two remaining entrants in the Government's Carbon Capture and Storage Demonstration Competition. For all of those reasons we clearly have a significant interest in these proposals.

Overall, and allowing for the scope of the reports, we are comfortable that these provide industry with the necessary comfort and reassurance that the proposed disposal would not have any adverse impact on system capacity, even taking projected additional West of Shetland flows into account, and that the network analysis carried out by National Grid was sufficiently robust to support the conclusions drawn.

As regards future flow projections, we believe that that position is reinforced in so far as the Wood Mackenie flows and assumptions for West of Shetland gas appear to us to be bullish. It is our understanding that it will remain economically challenging to produce much of the gas from those fields in the absence of appropriate incentives. Allowing for the current buoyant outlook for gas supply it is therefore conceivable that some of those production projects may slip.

Beyond that the Wood Mackenzie future flow outlooks appear very stable. The only point we would make in that regard is that towards the end of the period analysed there may well be a high level of renewable electricity as part of the overall generation mix. This may result in gas demand for CCGT generation becoming more intermittent as increasingly gas-fired generation in turn is used as support for intermittent renewable generation. It would be worthwhile to understand whether such a scenario may give rise to any degree of concern regarding system capacity at this entry point and if so whether that would merit any further investigation.

As regards the Poyry audit, to some extent it is difficult to comment in detail without access to the relevant flow models. However as a general statement it is reassuring to note that Poyry consider that National Grid have been conservative in their approach. This should likewise give the industry comfort as regards overall network robustness and that there would be minimal likelihood of the proposed partial disposal of resulting in any adverse impact on the system.

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As such we continue to support the proposed disposal for the reasons stated in our response of 22 May 2009. We firmly believe that it represent an opportunity to take advantage of a unique set of circumstances that would greatly assist the understanding and demonstration of CO_2 transportation with minimum risk, expense and environmental impact.

We very much hope that these reports will allay the immediate concerns raised by industry participants and look forward to the remaining substantive issues being addressed in your forthcoming consultation, which we note is planned for this April. We would hope that this would give some indication of Ofgem's emerging thinking and the likely remaining consultation timeline, mindful of how this will require to dovetail with the UK Competition.

If you would like to discuss these or any other issues in further detail then please do not hesitate to contact me.

Yours sincerely

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