

Bogdan Kowalewicz
Gas Transmission
Ofgem
9 Millbank
London
SW1P 3GE

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BD/COM/FG/10-038

Dear Bogdan

Proposed disposal of part of NTS for Carbon Capture and Storage – Second consultation and initial impact assessment

Thank you for the invitation to comment on National Grid's revised proposal and Ofgem's initial impact assessment. We are pleased to note that, in response to concerns expressed during the original consultation, independent assessment of NGG's network analysis and St Fergus flow forecasts has now been undertaken. Similarly, we are encouraged that NGG's revised proposal includes a commitment to maintain the current entry capacity baseline at St Fergus.

As this second consultation describes a revised proposal, it also raises new questions. Before we are able to answer the eleven questions set by Ofgem, we require clarification on two key areas:

1. NGG states an intention to maintain St Fergus' current entry capacity baseline. This presently sits at 154 mcm/d and removing the feeder would reduce it to 132mcm/d. Does this commitment therefore mean that an additional compressor will be installed before 2013 to ensure that capacity remains at 154 mcm/d when the feeder is removed? If so, who will pay for the additional compressor? If not, will a signal for capacity above 132 mcm/d be met without question (as still within the baseline) or will there be a 42 month lag between receipt of signal and availability of additional capacity? What is the expected lead time for installation of an additional compressor once a decision has been made?

2. NGG states that "any incremental buyback costs resulting from the removal of the feeder will be met by NG Carbon". Will NG Carbon meet *all* buyback costs at St Fergus from Q2 2013 onwards? If not, in what circumstances will buyback be deemed to have resulted from removal of the feeder, and in what circumstances will costs be recovered from Shippers? How will NG Carbon afford the potential £65.8m bill?

We are disappointed that this second consultation does not adequately address concern (expressed by ourselves and by other respondents) over the fact that the proposed change of use will take place within a new Transmission Price Control period. As Ofgem will not commit to maintaining the level of baseline at entry points from one Price Control period to the next, the forecasts of St Fergus capabilities published to inform assessment of risk during these consultations could be irrelevant before the proposed change of use actually takes place. Similarly, NGG's commitment to maintain the current entry capacity baseline at St Fergus may expire under the new framework and before the change takes place.



We reiterate our support for CCS in principle. We will be pleased to support this proposal if it can be demonstrated that the changed use of infrastructure will not adversely impact shippers, terminal operators or gas consumers. This is not yet the case.

We hope that these comments are useful in guiding the next consultation, and look forward to contributing further at this stage.

Yours sincerely

by email

Iain McCombie
Commercial Operations Manager