



Proposed disposal of part of NTS for carbon Capture and Storage – Second Consultation and initial impact assessment AEP¹ Comments

The Association welcomes the opportunity to comment on this further consultation, we present our views in response to the questions listed below:

CHAPTER 4: Future flows at St. Fergus and pipeline capability

Question 1: What is your view of the conclusions drawn about future flows and capability based on the consultants' reports?

The Association welcomes the consultants' reports, we consider independent scrutiny of National Grid's own analysis important in providing the industry with comfort over the likely flows at St Fergus and capability of the NTS with respect to these flows were part of the NTS to be decommissioned. We also welcome assurances over exit capacity and pressure.

CHAPTER 5: NGG's revised proposal

Question 1: What is your view of the structure of the revised proposal overall?

The Association considers that the revised proposal has merits, given the importance of CCS in the future as one component in moving to meet long term CO₂ targets. It also exposes gas customers to a lower level of risk than the initial proposal. However there remain a number of points of detail regarding the methodologies for determining incremental costs.

Question 2: What is your view of the treatment of incremental buyback, opex, CFU and other costs identified?

The Association considers it appropriate that gas customers should not bear any additional buyback or operating costs which may arise due the removal of the feeder from the NTS. We would like confirmation that these costs are not capped. In addition

¹The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95 per cent of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies.

we believe the detail of the methodologies to determine what these incremental costs are should be addressed in an open and transparent manner with consultation with the industry. The incentives which relate to shrinkage will also need considering.

It would also be helpful if clarity could be provided in the event that investment is required to support flows at St Fergus. We accept the analysis has shown this to be unlikely but if this were to occur would gas consumers bear the cost? Or should this fall to NG Carbon which would avoid gas customers facing this risk.

Question 3: What is your view of the suggested approaches to asset valuation?

The document describes a reasonable range of approaches to valuation and we agree that the revised proposal provides a balanced approach for customers by providing a one-off transfer value and with potential upside.

Question 4: What is your view of the proposal for sharing the benefits of increased CO₂ throughput?

This approach seems a reasonable way to provide gas consumers with upside value from the disposal in the event that CO₂ throughput increases up to a level when substantial capex would be required, 6Mt/yr.

Question 5: What is your view of the suggested mechanism for returning value to gas consumers?

We welcome some clarity on the mechanism for returning value to consumers and for consideration of avoiding volatility in the 'dividend'. We would however seek further clarity on the timing of 'dividends' as there seems to be a timing gap between when the pipeline would be decommissioned and when 'dividends' may be paid to consumers. We would seek assurances that at the very least RAV adjustments are made and liabilities transferred at the time of decommissioning for gas use, proposed to be in Q2 2013.

Question 6: Are there any other considerations which have not been taken into account?

We welcome NG carbon being established as a separate legal entity within the NG group and seek assurances that in the event of financial difficulties gas customers would not be exposed to any liabilities.

Appendix 2: Initial Impact Assessment

Question 1: Do you agree with our initial assessment of the impacts of the proposal for the disposal of assets?

Yes

Question 2: Are there any quantitative benefits or costs that have not been included in our assessment?

The potential for additional investment to support flows at St Fergus has not been considered.

Question 3: Are there any qualitative benefits or costs that have not been included in our assessment?

We are not aware of any

Question 4: Are there any other considerations that have not been included in our assessment?

We are not aware of any

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Association of Electricity Producers
Charles House
5-11 Regent Street
London
SW1Y 4LR
Tel: 020 7930 9390
Fax: 020 7930 9391
Email: jcox@aepuk.com

www.aepuk.com