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Dear Bogdan,

**Re: Centrica Storage Limited's response to Ofgem's Second Consultation on the "Proposed Disposal of Part of the NTS for Carbon Capture and Storage" (ref. 56/10).**

Centrica Storage Ltd (CSL) welcomes the opportunity to participate in the consultation process on National Grid's proposed disposal of certain National Transmission System (NTS) assets.

In general, CSL approves the re-allocation of existing network assets for the purpose of developing new technologies in cases where these assets are genuinely no longer required for the purposes that they were originally installed, where their re-allocation does not result in any detrimental impact to network users and where the benefits of their re-use is clearly demonstrated. CSL believes that clear demonstration of the above is absolutely fundamental to support any re-allocation.

With regards to Carbon Capture and Storage (CCS) we believe the development of this concept could help to achieve the goals of the UK Low Carbon Transition Plan, offering the energy market the opportunity to significantly reduce the level of CO<sup>2</sup> emissions from coal-fired power plants. Further, the proposed disposal of 300 km of NTS pipelines for re-use in CO<sup>2</sup> transportation could help facilitate efficient investment in the CCS industry by reducing investment costs through the reuse of redundant assets.

However, we have specific concerns which we urge Ofgem to consider regarding the potential impact on gas flows down the west coast of the UK, particularly in relation to the Lupton point.

This point currently serves as a blending point for off-spec gas flowing from the Morecambe fields, through the Barrow terminals, to meet Gas Safety Management Regulations 1996 (GSMR) specification. Given the need to maintain supply diversity, we believe that it is essential therefore that there exists sufficient gas flows on the NTS in the Lupton area to maintain the ability to land gas from these fields. This need for sufficient NTS gas flows is further exacerbated by plans for new storage and LNG infrastructure in the Barrow area. There are plans for two significant storage facilities (Bains & Gateway) and plans for an LNG importation terminal (Hoegh LNG) which are likely to be impacted by any reduction in ability to blend gas at the Lupton point.

It is our understanding that gas passing through Lupton arrives from the north, mainly driven by flows from St. Fergus. We are concerned that the removal of one of the feeders from St. Fergus may impact on the route of the flows heading south from St. Fergus. Further, even considering a decrease in St. Fergus flows (as confirmed by Mackenzie) the reduction in pipeline capacity will inevitably result in a lessening of the NTS ability to manage within-day fluctuations and secure supply to any downstream entry/exit point (including Lupton).

Given the importance to provide a constant supply to the Lupton point in order to operate the facilities landing gas onto the NTS at Barrow, we believe the proposed disposal could create operational concerns to current facilities and potentially act as an investment disincentive to ongoing projects in that area.

In the light of these concerns, CSL urges OFGEM to request a further independent analysis which focuses on the potential impact on the ability to blend gas at Lupton, and how this could be affected by the potential impact of a range of possible operational issues which could occur (compressor failures, pipeline failures etc) from time to time in the Scottish segment of the network.

Finally we have concerns that the proposed assets disposal will not be particularly beneficial to future CCS schemes. From the map of CSS potential in UK (NG presentation, 24/05/2010), it is evident that a high concentration of CO<sup>2</sup> emitters are located in the Midlands. Thus, we do not understand the proposal to make the initial investment in CSS technology in Scotland, where only a minor emitter (Longannet Power Station) is located.

For further consultation on the ongoing projects in Barrow and their operability requirements, or if you would like to discuss any aspect of this response, please do not hesitate to contact us.

Your sincerely,

A handwritten signature in black ink, reading 'Jacopo Filippo Vignola'.

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