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Att: Mr. Bogdan Kowalewicz
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Bygnes, 04.06.2010

RE: Proposed Disposal of part of NTS for Carbon Capture and Storage - Second consultation and initial impact assessment.

Dear Bogdan,

Gassco would like to thank Ofgem for the opportunity to respond to the second consultation on the proposed disposal of National Grid assets for carbon capture and transportation.

We are pleased that the document states that National Grid Carbon would undertake to return the entry capacity at St Fergus back to its current level following the removal of sections between St Fergus and Avonbridge but there does however remain some concern. This stems from the caveat in paragraph 3.36 of the consultation document where it is stated that the effects of a future price control review could have an impact on capacity base lines.

Further to this the independent reports that have been prepared do not reference future Norwegian connections to the UK. The potential to connect from Norway to existing UK infrastructure remains an alternative in Gassco's Transport Plan but is not mentioned as a factor.

There also is a risk for future tariffs that could apply at St Fergus if the entry capacity starts to become constrained which is more likely to occur with the reduction of capacity.

The loss of linepack as a result of the disposal cannot fail to have a negative impact on NG's flexibility. This is not quantified but it is stated that National Grid have a belief that it will not be a restriction to linepack demand. It is then stated that network flexibility should recover when flows into St Fergus are expected to decline in 2017. However no quantification of risk or consequential effects are provided, this is perhaps important if linepack services are to become a feature in National Grid's service offering.

There is no mention of which sections of Scottish pipeline are proposed to be transferred to carbon transport. The feeders were laid at different times and presumably have experienced different levels of service and maintenance. There should be an evaluation of the comparative sections of pipeline and comfort given that the NG Carbon will not be handed sections that are in better condition than those remaining but should that be the case then this is reflected in the valuation. Also an allowance should be made for increased operating costs and possible reduced capacity if the remaining sections are in any way less robust than those disposed of. This is in addition to the buy back risk taken on by National Grid.

Most other issues are related to downstream matters of which Gassco is less affected and therefore do not propose to comment upon at this stage.

Again thank you for the opportunity to comment

kind regards

for David Turner.

Gunn S. Kristiansen

Gassco AS