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Mr P Wightman
RIIO Gas Networks
Ofgem
9 Millbank
London SW1P 3GE

Dear Mr Wightman,

Ofgem Consultation in Relation to Fleetwood Capacity

Thank you for the opportunity to comment on this consultation.

I am responding on behalf of UK Onshore Oil and Gas, which is the representative body for the UK onshore oil and gas industry covering both developers and supply chain companies and including exploration, production and storage.

We have been alerted to this consultation by our member, Cuadrilla, who would be negatively impacted by the removal of Baseline at Fleetwood.

Our understanding of the NTS Entry Regime is that it requires a potential 3 – 7 year PARCA process to be followed in order to obtain new obligated entry capacity for any shale gas development. This is the case even in areas of the country where there is surplus physical NTS capacity as a result of the decline in UK Continental Shelf production, such as in the Fleetwood area.

One important reason why Great Britain is attractive for shale gas developments is the proximity of the NTS with significant physical capacity. The closure of Partington LNG plant and the decline in flows from Barrow, Teesside, St Fergus and Theddlethorpe means that there are unlikely to be any physical constraints and so the ability to enter gas into the NTS is assured. This compares favourably with the situation in other parts of the world, including in parts of North America, where significant new pipeline capacity has had to be constructed.

Shale gas could make use of the current surplus capacity that was built in the 1970 – 2000 period. If the Rough storage facility closes then this would also release capacity in an area close to potential shale gas developments

We are very supportive of the National Grid Project CLoCC (<http://projectclocc.com/>), which is an NIC funded initiative to reduce the time for building a new NTS connection to less than a year with a cost under £1 million, and have met the National Grid team on several occasions. It is not sensible

to have an Ofgem funded project to reduce time to under a year, but a parallel Ofgem Fleetwood decision to make it much harder and slower to secure the capacity that is already available.

A typical shale gas Extended Well Test will require significant investment to drill and frack a small number of wells and build the necessary gas processing plant and NTS connection. For such developments, which require 2 years of gas to flow, it is unlikely that the developer will be able to make a successful bid in a QSEC auction to pass an NPV test in order for a new Entry Point to have obligated capacity. It is inappropriate to insist on an 8 year commitment for a 2 year test.

We would request that Ofgem takes the opportunity from this consultation to review the Baselines to ensure that capacity can be made available to shale gas projects, which offer significant benefits to gas consumers in relation to security of gas supply and wider economic benefits (lower gas prices and/or tax receipts to the UK Govt). The removal of all the Baseline at Fleetwood is not in the interests of the 84% of British households connected to the gas mains who want secure and low cost gas.

The windfall of capacity caused by the decline in flows from the UK Continental Shelf and the closure of the four LNG peak shaving plants can and should be made available to shale gas developers, with changes to the regime made to make it easier to develop new gas projects that support domestic, commercial and industrial users of gas across the country. The present regime appears to be designed for an earlier time in the GB gas industry when new capacity was being built and is not appropriate for a time when existing capacity can be moved around to suit customers who are willing to pay for such capacity.

Yours sincerely

Ken Cronin



Chief Executive
UK Onshore Oil and Gas