

One-Off Asset Health Costs – Email response from Gas Security Group

Dear Kiran,

I am writing specifically on behalf of the British Ceramic Confederation (BCC), Stag Energy, GMB, the Confederation of Paper Industries (CPI) and the Energy Contract Company Ltd in connection with Ofgem's consultation on the funding requirements for the Feeder 9 gas pipeline replacement, which is required to run under the Humber estuary. The organisations I refer to above are participants in the Gas Security Group (GSG).(see note below)

The GSG is not only concerned with physical gas security, but also security of price. A failure to the Feeder 9 pipeline has the potential to both disrupt physical supplies but it would also inevitably cause shortages and price spikes that would be disruptive to British businesses. Although annual gas consumption has fallen slightly from a peak in 2008, there is a growing acknowledgment that gas has an increasingly important role to play in securing Britain's energy supplies in the future.

The majority of homes and businesses rely on gas for heating and it will take decades to transfer to any other realistic alternative. Electricity is becoming very reliant on gas for security with coal fired generation gone by 2025, the replacement of the ageing nuclear fleet unlikely to be available until 2030 or later and intermittent renewables (principally) wind and solar requires and reliable back-up supply. It is therefore of paramount importance that appropriate investment is made to ensure the integrity of our gas network.

We have experience of offshore installations and those close to shore with high rates of tidal flow. Scouring is a big problem and pipelines or foundations in such an environment are easily exposed with a high risk of catastrophic failure. For such an important element of the gas network, allowing major imports from Easington to enter the national network, we believe it is essential that adequate funding is made available to replace the Humber Feeder 9 gas pipeline in a safe and sustainable manner,

The estuary is also a major shipping area and any event concerning feeder 9 would have serious implications from activity and trade from the estuary. We therefore do not believe that remediation works in the Humber Estuary (such as frond mattresses) is a suitable solution in such a harsh environment and support the proposal for the proposed tunnel solution.

Gas security is essential to the to the growth and well-being of the UK economy and consumers and requires robust infrastructure in terms of the pipeline network (including interconnectors and LNG terminals) along with adequate storage capacity to ensure resilience and flexibility. We urge re-consideration of the appropriate investment for the Humber Estuary crossing and suggest that it be reviewed under the 're-opener' funding mechanism.

Yours sincerely,

Clive Moffatt

Adviser and Co-ordinator

GAS SECURITY GROUP