



**Comments in respect of
Modification 0049: Optional Limits for Inert Gases at System Entry Points**

7 October 2005

The Association of Electricity Producers welcomes the opportunity to comment on this draft modification report. The Association offers its qualified support for this proposal, full support is withheld as we do not consider the proposal has been adequately justified nor has the requirement for shortened timescales. If the implementation date of 1 November this year is required to enable additional gas to flow into the UK this winter then the proposal should clearly state this. If this is required for some other future date then this should be the implementation date with a clear explanation as to why a decision is required well in advance of implementation.

The Association recognises that this proposal may facilitate additional gas supplies being made available at entry points and to this extent support the proposal as it should facilitate competition in the supply of gas, but we are sceptical that these importation projects will not go ahead in the absence of this modification. We would therefore like to see some estimate of the incremental quantities of gas involved and the costs associated with ensuring all gas meets the current Network Entry Provisions set against securing these marginal quantities from other sources. In this respect we are disappointed that the DTI Gas Quality Exercise Phase 2 report and consultation is not yet available as we would expect this to address these issues. In addition we also note that the Madrid Forum recommended that the Commission undertake cost benefit analysis of the gas quality and interoperability issues.

In this context we consider that the costs of gas specification changes on end users should also be considered and that some assessment of the possible impact should have been included in the modification proposal. Whilst we understand that this proposal does not change the GS(M)R specification of gas made available for offtake from the system it will potentially move the 'usual range' of gas offtaken whilst remaining within the GS(M)R limits, indeed inerts, including CO₂ and NO_x, are not directly specified within the GS(M)R and are therefore limited indirectly by Wobbe limits. In this regard we understand that gas with upto 2% CO₂ will usually be acceptable (as per the Ten Year Statement page 101) but we are not aware of any entry point specific information on the specification of actual flows that would allow a more informed assessment of the likely impact. However we do understand that any increase in the CO₂ content of gas will directly affect CO₂ emissions so that offtakes close to entry points and sites included in the EU Emission Trading Scheme (EU ETS) could be

particularly affected by this as they will largely receive gas from a single entry point and will be fully exposed to any changes in specification.

In addition Transco may expect to incur higher costs from transporting higher levels of inerts around the system both in terms of operating costs eg compressor fuel and potentially capital costs, some assessment of these would help to inform industry views on this proposal.

In the absence of the DTI report Ofgem should consider whether it would be appropriate to undertake an impact assessment to consider the technical, environmental and commercial impacts of this proposal on customers.

The Association notes that the gas specifications contained in individual network entry agreements are not generally published but that they were made available as part of an Ofgem letter¹. We consider that if this modification is approved such that gas specifications at entry points may be revised without further industry consultation then the industry should be made aware that such a change has occurred.

Additional comments arising from the note issued by Transco NTS on 4 October
The Association is disappointed that additional information has again been provided very late in the consultation period, when draft responses will already have been prepared. We note that the average CO₂ level is 1.6% well below the current limits and is expected to decline in the longer term. Also that the level could move towards the current limit, even if this modification is not approved. However no information is provided on an entry point specific basis, which would assist those sites close to terminals assess the potential impact. We also agree that most CO₂ emissions arise from the combustion process and that any increase in CO₂ in gas will only have a marginal impact. Whilst we accept this impact is small it is one that customers cannot influence and will have to secure allowances under the EU ETS to cover the increased emissions.

¹ 20 September 2004 *Establishing a gas quality Review Group*