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* Calls will be recorded
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7th October 2005

Mr. Julian Majdanski
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
B91 3QJ.

UNC Modification Proposal 0049: 'Optional Limits for Inert Gases at System Entry Points '

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

Transco – Distribution is in favour of implementation.

Transco – Distribution believes that in accordance with the views of the proposer, the benefits accruing from increased gas supplies would better facilitate certain Relevant Objectives, as set out in the Gas Transporters Licence.

Transco - Distribution believes that Standard Special Condition A11 paragraph 1(d) (the securing of effective competition), is the relevant objective in this case, as implementation would better facilitate securing of effective competition between the relevant shippers and relevant suppliers by ensuring that gas field depletion is optimised and additional sources of gas can be admitted to the Total System, which is to the general benefit of competition, and hence of benefit to gas consumers.

Transco - Distribution also recognises that, from an NTS perspective, the widening of the gas specification parameters should further should facilitate the efficient and economic operation of the NTS pipeline system by expanding the range of gas sources that could be made available at System Entry Points.

From a distribution perspective Transco - Distribution believes that it would be substantially neutral to implementation and that effect on the operation of its system would not be significant. The only aspect which could effect the operation of the system would be if the nitrogen constituent remained within the proposed parameters but exceeded 10% molar. Should this occur, the directed CV measuring equipment owned by Transco - Distribution sampling such gases would be operating outside of the analytical range currently approved by Ofgem. Should this be likely then Transco - Distribution and other similarly-affected Gas Transporters would have to seek approval for a higher nitrogen content.



Transco - Distribution has not been made aware of any gas consumer concerns relating to the potential variation of the proportion of constituents in the gas it would be transporting. Transco - Distribution notes that whilst the interchangeability parameters of the Gas Safety (Management) Regulations could permit in theory gases of significantly high nitrogen (around 20% molar), Transco - Distribution consider that this is unlikely to occur in the near future because of the unfavourable economics associated with upgrading of such non-conventional sources of gas. In any case, such gas in principle would still have to be compliant with the requirements of the GS(M)R.

For the avoidance of doubt, this potential effect on the operation of the system does not, in any way, outweigh the benefits to competition and gas consumers of allowing gas, permitting by the amended specification, to enter the system.

Yours sincerely,

Declan McLaughlin
Commercial Manager – Customer Service
National Grid