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Date: 06 December 2010

Dear Andrew,

Methodology to determine incremental constraint management costs and incremental compressor costs related to removal of an NTS pipeline

Thank you for providing Scotia Gas Networks with the opportunity to comment on the above consultation document. As stated previously we are fully supportive of the objective of the UK Government in this area and recognise the potential contribution that CCS can make in the battle against climate change. Furthermore, we are supportive of the concept of disposing of redundant assets where an alternative use can be found.

Whilst SGN has no specific comments on the proposed methodology to determine incremental costs associated with constraint management or compressor costs, as set out in our previous correspondence with Ofgem, we remain concerned that analysis is still required to determine the impact of disposal of these specific assets on assured offtake pressures and system flexibility for Users, particular SGN. We are concerned that there could be unforeseen consequences for DNOs and customers downstream of the offtake. Scotia Gas Networks has previously experienced problems with the provision of assured pressure that NGG NTS is committed to provide at the various NTS offtakes within Scotland. We are concerned that the proposed disposal of part of the NTS will exacerbate this problem further.

In their letter dated 30 September 2010 Ofgem stated that they could not offer a formal minded to or consent until a formal written notification of intention is made by NG. We appreciate that this is conditional on the success of the DECC competition but it is right to progress as many areas of work as possible in the meantime. In their letter of 30 September 2010 Ofgem recognised that considerable further work was required. We understand analysis of the impact on NTS / LDZ offtakes would fall under this category and are keen that this is considered as soon as possible.

We would be happy to provide you or Ofgem with any assistance required to conduct the analysis. If you would like to discuss this further, please do not hesitate to get in contact.

Yours sincerely,

Beverley Grubb
Regulation Manager