

Tim,

Thank you for allowing SGN the opportunity to comments on mod 49 relating to inert gas limits.

SGN offers it's qualified support to the modification.

From a UK gas supply / demand perspective SGN understands the need to review the gas quality specifications to allow future gas supplies to market. This should reduce the wholesale prices of gas and should be of benefit to UK consumers.

LNG terminals are subject to separate Network Entry Agreements. SGN would like LNG importation terminals exempted from the mod 49 proposals. SGN believes that as the mod 49 proposals are geared towards pipeline gas, this should not be problematic for the LNG terminals. SGN is concerned that nitrogen could be used to ballast the LNG beyond current limits, effecting the declared CV of the network and the required amount of flat and flex capacity.

The GSMR gas quality limits should ensure that public safety is maintained. There is currently no suggestion to change these limits although SGN are aware of the ongoing work lead by the DTI to review the gas quality limits in the GSMR.

There are some long term issues that increasing inert levels in pipeline gas may have in terms of the required network capacity to carry the same level of energy. SGN believes that these are long term effects that can be dealt with at future price control reviews.

SGN is aware of issues regarding LNG liquefaction where inert gases have to be removed above certain levels prior to liquefaction. As the proposer of the modification also operates the LNG facilities in the UK, SGN assumes that this has been taken into consideration and will not require any investment that would be passed back to the industry.

Regards

Steve

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