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European Commission
DG Energy - ENER.DDG1.B.2
'Electricity and Gas'
Rue De Mot 24-26
B-1049 Bruxelles
Belgium

16 September 2011

Dear Sirs,

RE: Study on interoperability - Gas Quality Harmonisation - Cost Benefit Analysis

This response to the above consultation is provided by the Centrica Group of companies excluding Centrica Storage Limited. We do not regard the information contained within this response as being commercially confidential and are happy for it to be published as the Commission sees fit.

Centrica is pleased to see that this important subject continues to receive scrutiny. We have no reason to believe that the information collected and collated by the responsible consultants is inaccurate. We also acknowledge the enormity of the task of assessing the safe operation of gas consuming appliances across the wide range of gas specifications typically found across the EU. We have no further hard data to add which would either assist in providing greater confidence in the conclusions drawn, or indeed point towards a different conclusion.

We are, however, concerned that while it may be appropriate to conclude from this study that the cost benefit analysis does not support EU wide gas quality harmonisation, such a conclusion should not be interpreted as indicating that no further action should be taken on the subject of cross-border gas quality interoperability in all cases.

Rather, we believe that there are likely to be a number of individual, more localised, instances across the EU where action to address disparities between interconnected markets is entirely justified and would be supported by a more focused cost benefit study.

One such example would be the main interconnection route between the Fluxys network in Belgium and the GB market. Information which is available in the public domain clearly demonstrates that on occasions the GB interconnector has been just hours away from constraints caused by the inability of Fluxys to deliver (or re-deliver) gas of a specification appropriate to the GB market. This creates a potentially significant threat to UK gas supply security. Were it to happen at a time when other delivery points to GB were constrained for whatever reason, such as a combination of high demand and low

LNG import flows, the impact on gas wholesale prices could be dramatic, and within a very short space of time could far eclipse the cost of pre-emptive gas treatment measures.

We refer you, in particular, to a study carried out on our behalf and published in December 2009 (as attached), which demonstrates this risk in further detail. It is also worth noting that the estimated annualised cost of nitrogen ballasting to remove this risk would not exceed 0.2% of the current wholesale gas price at the NBP – and could well be less.

Our concern, therefore, is that this study does not – and was not intended to – capture such local operating conditions, and it would be wrong to stretch the conclusions drawn from this study to cover all interoperability difficulties.

We would therefore like to see a further phase of this work to investigate and document individual instances where action – most likely in the form of targeted gas treatment arrangements – is feasible and can be justified against robust cost benefit criteria.

Meanwhile, we are mindful that the original goal of gas quality harmonisation – in particular the drive towards EU-wide adoption and operations of the EASEE-gas specification - is no closer to becoming a reality, and that much work still lies ahead in order to achieve this goal.

Please don't hesitate to contact me if you would like to discuss any aspect of this response.

Yours sincerely,

Chris Wright
Commercial Manager

Gas Quality Report