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Storengy UK Limited operates the Stublach Gas Storage Facility. Stublach is the largest underground gas storage facility in the UK and plays an important role supporting National Grid managing gas flows in the national transmission system.

We would like to share with OFGEM our concerns on the Target Charging Review (TCR), particularly the “refined residual charging proposals”. We have been following the TCR process for over a year and we are surprised by the sharp turn announced in the consultation letter dated 3 September 2019 and the resulting significant negative impact it would have on the gas storage business, if implemented.


According to the Illustrative Charges in Figure 2 and Figure 3 in Annex of the Consultation, the proposed refined non-domestic charging banding would increase the residual charges for large EDCM consumers from £155k to £846k annually (sites above 12,000 kVA). Considering the magnitude of the change, it is imperative that stakeholders are provided with estimated charges for each DNO before the consultation and well before any decision by Ofgem. The consultation only provides estimates based on a sampling of Northern Powergrid region. We are aware that the DNO we are connected to, SP Manweb typically has a higher residual than the average GB DNO and fear this could result in even higher costs for EDCM consumers in the Northwest.

Due to the load factors for Gas Storage, the proposed TCR would result in a disproportionate residual charging falling on this asset class.

- The load factor of the capacity booked by storage operators is very low. The Stublach storage site had a load factor of around 20% of its 14,300 kVA booking with the DNO.
- Gas movement into and from storage takes place mainly at times of low demand on the grid. It can be argued that the electricity demand from storage – not only electricity storage but also gas storage – is an off-peak load. In fact, Storengy UK actively manages its demand to minimise consumption during the highest consumption periods. As a flexible asset, we shed load during potential Triads to reduce our exposure to TNUoS charges. In the latest proposals a flat the DUoS

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charges would apply for all large consumers, not rewarding behaviours which support the network on peak days.

In the "Applying the options" section of the consultation, Ofgem states "*For the avoidance of doubt, by final demand in the context of the TCR, we mean electricity which is consumed other than for the purposes of generation or export onto the electricity network. In practice, this would exclude electricity imported from the grid that is necessary for the operation of generation or, in the context of storage, which is imported for the purposes of re-exporting, including any which may be lost through waste in doing so*". We are pleased that Ofgem recognises the key role of storage in balancing the grid, and we would welcome clarification that gas storage is indeed treated as electricity storage. Gas storage is playing an increasing role in managing the intermittency of renewable production. The export capability of Stublach alone represents 12.5 GW (300 GWh per day), that is enough to support the production of more than 6 GW of gas-fired electricity generation.

The side effects of a banding must be carefully assessed: they could lead to gas storages reducing their deliverability to remain under a threshold, or, could push them further into losses from an already challenging situation with prohibitive business rates and with the looming Gas Charging Review.

The proposed charging changes are likely to have a detrimental impact on both the consumers and the market of gas and electricity and we believe this has not been thoroughly anticipated. Given the lack of estimates for each DNO, the impacts of the changes cannot be fully assessed and discussed to be able to understand all of the potential effects on different aspects of the market, for both industry participants and end users.

Gas storage is a critical component of electricity flexibility. To ensure a level playing field with other grid connected flexibility, such as battery storage, we hope to see TCR proposals that result in a fair treatment of gas storage.

Storengy UK would like to meet you to discuss these matters in more details.

Yours sincerely,


Sincerely,

Michael Gibson
Managing Director

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