

19/05/2025

Dear Rhonan,

RE: Statutory Consultation to Modify the Gas Transporter Licence

Thank you for the opportunity to respond to this consultation. This is a non-confidential response on behalf of Centrica PLC.

Context

Recent legislation has underlined the continued importance of the objective of net zero and the contribution that regulators make to economic growth. Ofgem's duties were recently modified by the Energy Act, and through secondary legislation to reflect this alongside its primary statutory duty to consumers. The legislation also established the National Energy System Operator (NESO) with a range of tasks including its role as independent system planner and advisor to government.

The decisions that Ofgem takes need to reflect the continuing and important role of the gas system to end consumers. The impact of the energy crisis during 2021-24, caused by the invasion of Ukraine, underlined the severe negative impact on consumers, including homes and businesses from a lack of resilience in the energy system, especially given the increasing dependence on imported natural gas and the decline of production from the UKCS.

Ofgem's growing role in term of investment in the energy system will also be a wider determinant of economic growth at both national and regional level. In particular, decisions around the gas system going forward will be an enabler of industrial decarbonisation. Going forward, it is of central importance that the spatial planning of the energy system and Ofgem's individual decisions are aligned.

Ofgem's decision on modifying the National Gas Transporter Licence, to move obligated capacity from Easington to Rough, needs to be seen in this long-term context.

Background to Rough Storage

As Ofgem is aware, Centrica operates the UK's largest gas storage facility, Rough. Rough plays a pivotal role in the security of supply in the GB energy market, importantly re-opening as a storage facility in 2022 for the winter of 2022/23 – increasing GB's total storage capacity by 100% and helping to reduce consumer bills in response to the energy crisis.

It is increasingly clear that maintaining GB-based gas storage is essential and consistent with Ofgem's primary statutory duty regarding the protection of current and future consumers and carrying out its functions in the manner best calculated to secure a long-term energy supply. Analysis from the NESO indicates¹ that although overall demand for gas is expected to decline as the UK transitions to low carbon power, there could be scenarios of very high peak demand for gas in winter where supplies from Europe are also constrained. Ensuring Rough has the NTS baseline capacity available to provide gas reliably through these peaks is essential for security of supply.

In the longer term, storage at Rough will be a necessary component of the roll out of hydrogen which we expect to play a significant role in decarbonising flexible generation and industry at a regional and, eventually, national scale. Storage is key to the economics of efficient hydrogen production and Rough is the most effective way of providing storage at scale. Numerous pieces of analysis support this conclusion, including the House of Lords Select Committee conclusions.² It is also clear from the recently published NESO methodology on the Strategic Spatial Energy Plan that the role of hydrogen in the whole energy system, including power generation, will be a significant element of the methodology.

Given the context, we do not see any credible long-term scenario where the Rough facility does not play a role in a cost-effective energy transition which meets the government's longer term decarbonisation objectives, Clean Power 2030 (especially given the ongoing requirement for gas-fired generation) and Ofgem's duties to protect consumers. The service provided by Rough and the associated NTS capacity will continue to be required.

Centrica therefore supports the proposals to modify the special conditions of the Gas Transporter Licence to allow for a reallocation of a proportion of baseline entry capacity from the Easington National Transmission System (NTS) Entry Point to the Rough NTS Entry Point. We have demonstrated that there is no other workable solution and the uniqueness of Rough in terms of its current and future importance to GB justifies this move.

Why the licence change is needed

The reallocation of capacity is needed to rectify a regulatory anomaly that has existed since the implementation of UNC Modification 0678A in October 2020. The charging reforms originating from this modification required that Storage Connection Points could not be combined with other System Entry Points and, as such, National Grid created a new Rough Aggregate System Entry Point for withdrawals from the facility, but without any associated baseline capacity being incorporated into the transporter licence.

An ongoing lack of baseline capacity at the Rough Entry Point would mean that Rough would need to rely on the daily discretionary release. This means that every day the Facility User would not know whether discretionary capacity will be released, potentially leading to significant inefficiencies in facility usage and undermining Rough's ability to provide gas to the network when needed. This creates a disincentive, in the form of additional risk, from both booking capacity and injecting gas into the Rough facility.

There are no perceivable negative market impacts from the relocation of this capacity. After the proposed volume is transferred, large volumes of spare capacity will remain at the Easington. There will be approximately 300 GWh/d spare in the rest of Winter 2025/26, increasing in future winters, and over 1000 GWh/d in the Summers. The large amount of spare capacity is unsurprising because when the Easington baseline was originally

¹ [Future Energy Scenarios](#)

² [Long-duration energy storage: get on with it](#)

committed, it included Rough withdrawal capability. The removal of capacity was therefore an unfortunate by-product of implementing UNC Modification 0678A that was not dealt with at the time.

Before requesting Ofgem undertake a licence change to move baseline capacity, Centrica fully explored the PARCA process as a way of achieving the desired outcome, including working with the System Operator and Ofgem. However, specifically for the case of Rough, the PARCA process proved to be too inflexible with unjustifiably large upfront costs and therefore we needed to seek this alternative route.

Rough as an exceptional case

We recognise that Ofgem requires a strong justification to undertake a transfer of baseline capacity and to modify the gas transporter licence. However, Rough is an exceptional case in terms of its importance to GB. Rough is GB's largest gas storage site and is therefore unique as a critical source of market resilience when global supplies are tight. Changes in global gas market dynamics following the Russian invasion of Ukraine, and the resulting changes in Europe's gas market structure, demonstrate the critical importance of both delivering security of supply and 'insuring' against volatile prices driven by global events. Given its size, Rough can deliver significant benefits by reducing wholesale price volatility by 'smoothing' price peaks and enhancing security of supply and easing the UK's dependency on gas imports.

Furthermore, Rough's role in the future will be key. Centrica has plans to increase the capacity from the current level of around 54bcf (including cushion gas), initially to 120bcf and potentially up to 200bcf. This capacity alone is equivalent to over 70% of the energy reserves recommended by the National Infrastructure Commission³. Our modelling suggests that increased storage at Rough, would have saved consumers around £2bn–£3bn in each of the winters of 2021/22 and 2022/23, and would help avoid £300-500 million a day of lost economic output during shortage events.⁴

It is also planned that Rough will continue to support the transition to Net Zero in the future. Storage is critical to support the transition to a decarbonised power system, and while the future development of the Hydrogen market remains uncertain GB will need increased gaseous storage in all transition pathways. Rough has potential to serve as gas storage or Hydrogen storage, making the switch to hydrogen when required. Our modelling suggests that, redeveloped for H2 storage, Rough could deliver a reduction in decarbonised energy system costs from 2050 onwards in the region of £900 million a year. The scale of storage and withdrawal capacity that can be delivered by redeveloping Rough is significant, and can be more cost effective, less disruptive, and quicker to deliver than potential alternatives.

The change brought about by this proposal is wholly consistent with Ofgem's statutory duties, which as well as its primary duty to consumers, also includes the duty to carry out its functions in the manner best calculated to secure a long-term energy supply. Rough now provides half of the UK's total gas storage capacity with the potential to heat almost 10% of UK homes throughout winter and is therefore vital for the UK's security of supply. The benefits Rough provides was recognised by Ofgem's in its decision to extend Rough's

³ [Strategic energy reserve - NIC](#)

⁴ Analysis provided to Ofgem separately

exemption to negotiated third party access⁵ and the unique role Rough plays in supporting security of supply is vital as the UK becomes increasingly reliant on imported gas.

Similarly, Ofgem already has been given the role to develop frameworks for Long Duration Electricity Storage (LDES). Our view is that a wider approach, also encompassing the importance of gas storage, is also part of the natural range of Ofgem's tasks and the decision on baseline capacity should also be seen in this light.

Amount of Baseline capacity to be transferred

We have one reservation regarding the proposed amount of capacity Ofgem proposes to be transferred: 345.15 GW/d. This level of capacity would support current operations but is conservative relative to possible future energy security requirements and a redevelopment of Rough.

Therefore, if Ofgem's proposal to allow for the reallocation of a proportion of baseline entry capacity goes ahead at 345.15 GW/d, it should be done with recognition that the baseline capacity at Rough may need to be increased in the future depending on the requirements of a possible expansion.

Please let me know if you would like to discuss any element of this response.

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⁵ <https://www.ofgem.gov.uk/sites/default/files/2023-06/Modification%20to%20Centrica%20Storage%20Limited%27s%20exemption%20to%20nTPA%20for%20Rough%20storage%20facility%20June%202023.pdf>