

Our Ref
Your Ref

Exemption from Third Party Arrangements under the Gas Act for
the planned capacity expansion at Hole House Farm storage

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Date 21 January 2005

Dear Steve,

Consultation on an application by Energy Merchants Gas Storage (UK) Ltd (EMGS) for an exemption under section 19a of the Gas Act 1986 from section 19b of the Gas Act 1986 for the planned expansion capacity at the Hole House gas storage facility

Thank you for providing EDF Energy with the opportunity to respond to Ofgem's consultation on EMGS formal application for an exemption from Negotiated Third Party Access (RTPA) for their Hole House storage facility.

EDF Energy note that Hole House's existing capacity of 300GWh is the subject of an existing exemption and that EMGS is seeking to satisfy the first route to exemption for the doubling of capacity under phase ii by demonstration that the use of the facility by other persons is not necessary for the operation of an economically efficient gas market. We also note that under the Second EU Gas Directive and storage regulation in GB, the facility does not constitute a large enough size to warrant a competition analysis. We would agree that the use of this storage facility by other persons is indeed not necessary for the operation of an economic and efficient gas market.

Based on this, EDF Energy agree with Ofgem's initial view that an exemption should be granted to EMGS under section 19a(6)(a) of the Gas Act from the TPA requirements in section 19B of the Gas Act to cover the entire capacity of the Hole House gas storage facility.

We look forward with interest to see how the European Voluntary Gas Storage Guidelines for Good Practise develop, and whether or not an amendment to the current Access to Gas Transmission Regulations is necessary to formalise the rules for accessing gas storage facilities in Europe going forward.

We hope that you will find these comments helpful. If you would like to discuss any of the issues raised in our response please contact me on 020 7752 2523 or John Costa on 020 7752 2522.

Yours sincerely

Jim Beynon
Head of Regulation and Market Infrastructure
Energy Branch

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