

Steve Smith  
Managing Director, Markets  
Office of Gas and Electricity Markets  
9 Millbank  
London SW1P 3GE

04 March 2005

Dear Steve,

Scottish Power Energy Management Limited (SPEML) wish to apply for a “de minimis” exemption under section 19A (2) of the Gas Act 1986 in respect of the Third Party Access (TPA) requirements for the planned gas storage facility at Byley, Cheshire.

The storage facility will be owned and operated by Holford Gas Storage Limited, registered no. SC254265. Holford Gas Storage is a wholly owned subsidiary of ScottishPower Energy Management Limited.

A TPA exemption has already been granted SPEML in respect of the existing storage facility at Hatfield Moor.

The storage facility at Byley will be developed in two phases. The initial phase will consist of four caverns comprising 879GWh of useable capacity which will be commissioned by the end of 2007. The second phase will consist of a further four caverns and will add a further 879 GWh of useable capacity which will be operational by the end of 2008. The total planned capacity is 1758GWh and it is this capacity which is subject to the current exemption application.

The published rates of 175GWh/day and 88 GWh/day will apply for deliverability and injectability respectively following the two phase development of the facility.

We believe that the use of the facility by third parties is not necessary for the operation of an economically efficient gas market. SPEML currently own and operate Hatfield Moors, taking this into account the addition of Byley brings the proportion of storage space owned and operated by SPEML to under 8% of existing storage in the UK. If the storage facilities planned for the UK are developed then the proportion of space owned and operated by SPEML as a percentage of the new UK total space would fall to just over 4%.

On its own, Byley accounts for under 5% of existing storage space and under 3% of proposed future storage space.

It should be noted that granting of an exemption for Byley would be consistent with recent granting of an exemption for the Humbly Grove facility where the space exceeds that planned for Byley.

In terms of the overall market for flexibility, Byley represents less than 4% of the maximum daily flexibility. This is compared against the maximum flexible capacity for winter 2002/03\*, i.e. not taken into account the substantial number of proposed new developments which will be in place by the time Byley is fully operational.

- Volumes used are taken from the Competition Commission report into the Centrica acquisition of Dynegy Storage Limited

Since the use of the facility by third parties is not necessary for the operation of an economically efficient gas market, we believe that “de minimis” exemption should be granted for the entire capacity of the proposed Byley facility.

Please do not hesitate to call me on 0141 568 2464 should you need any more information.

Yours Sincerely,



Steve Gordon,  
Commercial & Regulation Manager (Gas)  
Scottish Power Energy Management Limited