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Dear Steve,

Consultation on an application by Caythorpe Gas Storage Ltd for an Exemption under section 19a of the Gas Act 1986 from section 19b of the Gas Act 1986

We welcome the opportunity to respond to the above consultation and hope that you will find the comments we have made in this letter useful.

In our view, when deciding on whether or not to grant an exemption from section 19b of the Gas Act 1986, the Authority is right to consider the whole flexibility market and not just traditional gas storage. Storage assets are just one source of flexibility, it is the result of the service, not the physical characteristics of a particular form of flexibility that matters to market participants.

Therefore we agree with Ofgem's initial view that an exemption should be granted to Caythorpe under section 19a(6)(a) of the Gas Act from the requirements of section 19b.

We hope that you will find these comments helpful. If you or your team would like to discuss any of the issues raised in our response please contact Elaine Delamer House on 01738 456263.

Yours sincerely

Rob McDonald
Director of Regulation