

4th November 2005

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Dear Sonia

Consultation on the proposed treatment under section 19A of the Gas Act 1986 of gas storage facilities with split ownership

Centrica Storage (CSL) offers the following comments on the above issue in response to the questions raised in your letter of 22nd September. We apologise for missing your deadline for responses of yesterday but hope that our comments may nevertheless be considered.

CSL is strongly supportive of the principle of third party access (TPA) to storage in both UK and Europe. We believe that the presumption should be in favour of TPA and this is reflected in the terms of legislation.

Should Ofgem in assessing the application of the “de minimis” test take account of factors other than just the physical nature of the facility, such as contractual arrangements between separate owners?

We agree with Ofgem’s approach that in considering exemption requests the whole of the capacity of a facility should be considered. However, we do not believe that the assessment should be constrained to consider only the physical size of the facility but that other factors, including for example the role of the owner or operator of the facility in other potentially competing facilities may be a valid consideration. The ownership structure of the facility and the contractual relationship between owners itself may equally be relevant factors.

Should joint-owners apply separately or jointly for exemption?

Since the consultation is based on the premise that there may be examples where joint owners will be operating on a sufficiently arms-length basis for their degree of separation to be a consideration, it would seem odd to insist on joint application. We believe that individual owners should be entitled to apply either separately or jointly

May it be appropriate to issue an exemption in respect of part but not all of the capacity of a facility?

We believe it follows from the allowance of factors other than the physical role of the facility that it may in some circumstances be appropriate to issue an exemption in respect of part but not all of a facility. Such a part-exemption would require Ofgem to be satisfied that appropriate contractual relationships between joint owners exist and will continue to exist.

We recognise the practical difficulties that would be associated with part-exemptions, and the additional regulatory burden associated with “policing” these both in relation to the initial contractual relationships and their ongoing application.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bruce Walker', with a stylized, cursive script.

Bruce Walker
Managing Director