

## **SBGI Gas Storage Operators Group**

### **Response to the Ofgem Consultation: New entry arrangements for connecting to the gas distribution network**

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## 1. Introduction

The Gas Storage Operators Group welcomes the opportunity to comment on Ofgem's proposals regarding the long term arrangements for gas distribution network entry points.

The Gas Storage Operators Group is a trade association which was formed in May 2006 within the SBGI. The group currently comprises almost all the active participants in the UK Gas Storage Market, and as such represents a wide range of interests. The group includes both established operators and developers of new storage projects, large multinational companies and smaller private ventures.

Whilst the provision of gas storage services will be an increasingly competitive activity, the group has been formed to meet an increasing need to speak with one voice on Storage Development and related Issues. The group aims to provide a single point of reference for Storage Operators in relation to Government and regulatory issues (such as planning) and also, from time to time, in relation to the development of market rules (such as reform of NTS Exit rules and Charging).

A list of the members of the group is included as Appendix 1.

## 2. Response

In formulating its response, the Gas Storage Operators Group has mainly addressed the following question and has the following comments to offer:

*Q2 "What are the views of interested parties about the key issues relevant to GDN entry arrangements"*

It is clear that the current arrangements for GDN entry need to be overhauled and we look forward to contributing to the development of a framework which meets the aspirations of all participants in the GB Gas industry.

The location of underground gas storage facilities is determined by geology (ie the location of appropriate natural porous strata or salt sections) and we agree with Ofgem that any new GDN entry arrangements should not distort the decision of any potential new entry point between connecting to the GDN or the NTS.

In principle, GSOG supports the contractual approach proposed by Ofgem as long as it will provide a framework which will ensure equal treatment, but be flexible enough to reflect the characteristics particular to each individual entry point.

In accordance with the issues raised in the consultation document we wish to make the following observations and proposals for future implementation:

- The entry facility must have access to the NBP. Without access to the NBP it is unlikely that these facilities would be developed which would be detrimental to security of supply. This should be implemented by a Licence condition that requires that, via the contractual arrangements, flows delivered into the DN should be recognised at the NBP.

- Contractual structures must be clear, straightforward and bilateral i.e. a single agreement between the DN and Entry facility. For storage facilities we would assume that the entry arrangements would form part of the Storage Connection Agreement.
- The services offered by the DN must be on a non-discriminatory basis. It is important the arrangements between the DN and the Entry facility are fair and where reasonable, consistent with other existing arrangements. This should be incorporated in the Licence.
- The main general terms and conditions should be published as they are for NTS connections (e.g. the Storage Connection Agreement). The obligation to publish should be incorporated into the Licence.
- The principal service is the provision of DN capacity and the DN should be obliged to maximise the amount of capacity available to the entry facility. This could be implemented via a Licence condition.
- The methodology by which the maximum level of capacity is determined should be published by the DN. It may be appropriate to develop a single methodology to be adopted by all DNs. The obligation to develop and publish a methodology should be incorporated into a Licence condition.
- In the event that reinforcement of the DN is required to support the desired flows, the determination and allocation of those costs to the entry facility should be the subject of a published charging methodology.
- Any charges should be cost reflective and non discriminatory.

Finally, while we agree that the Licence should explicitly set out Ofgem's role in dispute determination, we do not feel it is appropriate at this stage to determine what might be minor or material disputes. This may be better addressed through future guidance and we would be happy to contribute to the development of such guidance if Ofgem deems this approach to be acceptable.

The issue of non discrimination would tend to suggest that the existing GDN entry points should over time move to the new arrangements. However, the nature and timing of the transition is probably better discussed once the details of the new arrangements are clearer.

## **Appendix 1: Members of the Gas Storage Operators Group**

**Canatxx**

**Centrica Storage Limited**

**EdF Trading Gas Storage Limited**

**E.On UK Ltd**

**Ineos Enterprises**

**National Grid LNG Storage**

**SSE Hornsea Ltd**

**Portland Gas Ltd**

**Star Energy Group**

**Warwick Energy**

**Wingas Storage UK Ltd**