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Your Ref: Ofgem doc 111/07

Dear Philip

Statoil UK Ltd's application for an exemption from Section 19B of the Gas Act 1986: consultation

energywatch welcomes the opportunity to respond to the issues raised by this consultation. This response is non-confidential and we are happy for it to be published on the Ofgem website.

Consumers expect the delivery of safe, secure and reliable gas supplies in an efficient and economic manner. As Great Britain is now a net importer of gas, consumers would welcome new investment in improving the flow of adequate supplies of gas. Storage facilities such as those at Aldbrough which are the subject of this application assist in improving the security and reliability of gas supplies to consumers.

We note the conclusions of Ofgem's competition assessment regarding the size of market in which Aldbrough operates as a medium range storage facility. We agree that Statoil UK's minority share in capacity at Aldbrough would justify negotiated Third Party Access (nTPA) exemption in this case in accordance with the relevant criteria. However, Ofgem must undertake rigorous analysis, on a case-by-case basis, of such applications and also maintain effective ongoing market monitoring in case circumstances arise in the future such that the exemption is no longer appropriate. These could arise in a relatively flexible market for gas supply from storage. The ability of third parties to access unused capacity is a feature of an economically efficient and competitive gas market and contributes to price stability for consumers.

Going forward, we will continue to keep these issues under review as and when they are raised, always considering the possible impact on consumers, and will take the opportunity to comment further as necessary.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs