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Dear Philip

SSE Hornsea Limited (SSEHL)'s application for an exemption from section 19B of the Gas Act 1986: consultation

energywatch welcomes the opportunity to respond to the issues raised in 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 also note Ofgem's view that SSEHL's access to capacity at the Hornsea storage facility, where there are already negotiated Third Party Access (nTPA) arrangements in place, is significant in determining the market share attributable to SSEHL in order to decide on this application. We accept Ofgem's reasoning in excluding the Hornsea capacity in determining market share and justifying approval of the application. However, Ofgem must continue to undertake rigorous analysis, on a case-by-case basis, of such applications and also maintain effective and vigorous ongoing market monitoring to ensure that SSEHL's future ownership or market activity does not create the circumstances 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 vital feature of an economically efficient and competitive gas market and contributes to price stability for consumers.

We will continue to comment on other applications as and when they are raised, always considering the possible impact on consumers. 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