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Ian Marlee  
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Dear Mr. Marlee,

### **Guidance on the Third Party Access Regulatory Regime for Gas Storage Facilities**

Stag Energy is a private company based in Edinburgh, which is developing the Gateway 1 Gas Storage project, 1.5BCM salt cavern facility located offshore in the East Irish Sea.

Gateway 1 has received all necessary planning and consents and is currently at the Front End Engineering and Design (“FEED”) phase. A second storage project, Gateway 2 has yet to apply for any consents but would add a further 1.5 BCM of storage. Both of these projects are listed in National Grid Gas’ latest ten year statement, so comprise a significant part of the Government’s recent public statements that up to 18 BCM of gas storage projects are under development in the UK.

Stag Energy is a member of the Gas Storage Operator’s Group (“GSOG”), which is responding to this consultation. We have already had sight of the GSOG letter and fully support all the points made in it.

However we also think it helpful to add an additional point related to the European regulatory context and the PSO issue in general. In this context you may recall that we have already written to you in detail concerning our views on the PSO issue on 6<sup>th</sup> April 2010.

In our letter of 6<sup>th</sup> April, we endeavoured to show that all mainland European countries either have in place a type of PSO which has the effect of enforcing significant supplier storage or alternatively, the SO itself has specific major storage responsibilities.

So we can understand there is perhaps a case to make for the imposition of some form of storage price control and unbundling in these mainland Europe countries where high levels of storage are obliged by regulations.

However, we now understand the UK government has chosen a different approach with regard to gas security of supply by effectively ruling out strategic storage or suppliers' storage obligations in their new Energy Bill (Clause 77). Their intention to focus on enhancing security via balancing measures had already been set out verbally by Robert Clay (DECC) at a consultation on Gas Policy Measures on October 18<sup>th</sup> 2010, which both OFGEM and Stag Energy, inter alia, attended.

It therefore seems to be logical to us that the GB regulatory storage policy should be different in substance to mainland Europe with regard to both price controls and unbundling. Instead we believe GB storage regulatory policy should be consistent with the UK Government's new gas security policy as outlined in the new Energy Bill (Clause 77).

This clause aims to increase price volatility in the gas balancing market. Therefore we would have thought any form of price control on storage would serve to undermine this new Government policy.

Please do not hesitate to contact me should you require any clarification.

Yours faithfully,

Mark Rigby  
Commercial Director Stag Energy