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Subject: Gas Security of Supply Significant Code Review (SCR) Draft Policy Decision

Dear Anna,

Thank you for the opportunity to respond to the Draft Policy Decision consultation on the Gas Security of Supply Significant Code Review (SCR). BP has both general comments and more detailed remarks for some of the questions Ofgem made, which we will provide in a separate non-confidential document by the end of the week.

We take this opportunity to reiterate BP concern regarding the rationale behind the SCR and the impact Ofgem expects on the GB gas market. We advise that Ofgem should withhold any step forward because we consider the methodology and the rationale are not strong enough to back up a decision with such a material impact.

The market has helped achieving investments, flexibility and efficiency, and has developed a secure and efficient system to secure gas supply in GB. We consider unbalanced the extent to which Ofgem weights this achievement with the insight coming from its modelling exercise, to develop additional obligations whose benefits are highly uncertain and potentially detrimental.

We are confident that as long as the market provides a viable price, all evidence points at the GB industry continuing to deliver security of supply in the future. An excessively high VOLL could negatively impact operating conditions of the gas market by increasing systemic risk and the costs of business. These further costs would be reflected in the gas bills to customers. More importantly, we expect these high costs would achieve little benefits in terms of enhanced Security of Supply.

Gas consumers would benefit more from Ofgem supporting shipper contributions to Security of Supply with a strategic and comprehensive approach. Ofgem should address cash-out analysis in the round with its work on further interventions and the medium to long term Security of Supply work it has been asked by DECC to undertake. This could be achieved by working in close cooperation also with the industry, to analyze objectively the

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whole range of alternative measures available to all actors, prioritizing those with the highest cost benefit ratio.

Also, we see an opportunity for Ofgem to increase cooperation with regulators of neighbour EU countries, in order to produce better harmonized arrangements which reduce current distortions. Non-market arrangements in those countries are no reason for Ofgem to introduce distortions in the GB market which could result in an arms race to control flexibility tools, or increase penalties without attracting any additional supplies. We think this coordinated work by Ofgem would produce better informed and consistent regulations, also because in the current uncertainty and transition of overall Security of Supply regimes, we see a high VOLL producing little of no additional investment which Ofgem looks for.

As anticipated by the end of the week we will follow up these general comments with more detailed remarks in relation to some of Ofgem questions. In the meanwhile please do not hesitate contacting me should you have any query.

Yours sincerely,

Antonio Ciavolella
Regulatory Specialist