

Giuseppina Squicciarini
Ofgem
soincentive@ofgem.gov.uk

26 March 2012

Dear Giuseppina

Re: Gas Storage Operators Group response to Ofgem's Consultation on "System Operator incentive schemes from 2013" (ref. 12/12)

The Gas Storage Operators Group (GSOG) welcomes the opportunity to provide views on Ofgem's proposals contained within the above consultation. The response is non confidential and therefore can be placed in the public domain.

GSOG is a trade association which was formed in May 2006 within SBGI. The Group has sixteen members and comprises of almost all the active participants in the GB 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. The current members of the Group and signatories to this submission are detailed in Appendix A.

So far, we have appreciated Ofgem's effort to engage with the industry in this complex review process and, as a formal member of the RIIO forum, GSOG would like to continue offering its help in making it more effective and efficient.

GSOG generally supports the proposed schemes since we believe it has the potential to facilitate the objective to operate the NTS in a more efficient and economic manner. In particular, we would like to comment on the principles proposed to incentivise the following TO/SO outputs.

NTS connections

GSOG supports the proposal to set a financial incentive for the eight year period on National Grid Gas (NGG), in its dual-role of SO/TO, to ensure that all applications for connection will be managed in an efficient and timely manner, as set by the relevant RIIO output. We appreciate that this incentive will be assessed against customers' satisfaction, collected through ex-post stakeholder surveys.

Nevertheless, we expect NGG to speed up the development of a sustainable governance framework that deals with all aspects of the connection process¹. GSOG has been collaborating on this matter since 2010 and we are keen to continue providing our support.

¹ GSOG supports the implementation of UNC Modification 373 whilst it recognises the need of further developments through an ad-hoc workstream within the UNC Transmission Workgroup.

Incremental capacity

Given the current limited transparency on how NGG chooses the options to satisfy incremental capacity signals, GSOG supports Ofgem's suggestion to have a clear and transparent strategy. GSOG believes that this strategy should be included into, or at least linked with, the governance for new connections.

System balancing

GSOG supports Ofgem's proposal to incentivise NGG in respect of the total cost of its actions in the OCM, which could result in shippers having a greater incentive to balance their own positions. As well, we support the proposal to roll-over the incentive on linepack for the next eight years.

Schemes length

We understand that length of each scheme will be set independently of the others, resulting in the potential change of a number of elements within the control period but all in different timing. Although this approach may better reflect the specific objectives of each scheme, it may increase the administrative burden and reduce the overall transparency of regulation into force in a specific point in time.

I hope Ofgem finds GSOG's comments helpful and if you would like to discuss any of the points raised in more detail, please do not hesitate to get in contact.

Your sincerely

Roddy Monroe
Chairman – Gas Storage Operators Group

APPENDIX 1

SBGI GSOG MEMBERS

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Centrica Storage Ltd
Cheshire Cavity Storage Group Ltd
E.ON Gas Storage UK Ltd
EDF Trading Gas Storage Ltd
Eni UK Ltd
Gateway Gas Storage Company Ltd
Halite Energy Group
INEOS Enterprises Ltd
Infrastrata Plc
King Street Energy
Scottish Power Energy Management Ltd
SSE Hornsea Ltd
Star Energy Group plc
Statoil (UK) Ltd
Storengy UK Ltd
WINGAS Storage UK Ltd