

Anjali Mehta  
Ofgem  
9 Millbank  
London  
SW1P 3GE

E-mail: [gb.markets@ofgem.gov.uk](mailto:gb.markets@ofgem.gov.uk)

Dear Anjali

**Gas Security of Supply Significant Code Review – Impact Assessment for the Proposed Final Decision**

The Gas Storage Operators Group (GSOG) welcomes the opportunity to comment on Ofgem's Gas Security of Supply Significant Code Review Proposed Final Decision.

GSOG is a trade body formed in May 2006 within EUA (formerly SBGI). The group has sixteen members and comprises 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. Please note that Storengy, although a GSOG member, was not a contributor to this response.

GSOG believes the implementation of any amendments to the current gas regime should not take place in isolation but should be linked to other policy options currently being developed and considered including options we understand are being addressed in Ofgem's Security of Supply Report recently submitted to DECC.

GSOG would comment as follows:

- It is acknowledged that the UK is poorly served by gas storage and although this has not been an issue whilst the UK was a net exporter of gas, the situation is changing rapidly and the UK now imports over 50% of its gas requirements. Responses to the Gas Security of Supply Significant Code Review (SCR) have widely stated that changes to the gas balancing regime and cash out reforms will not facilitate investment in long term assets such as gas storage:
  - The daily cashout mechanism is short term focused and is largely managed by risk management or trading teams that are generally focused days or weeks in advance. Pricing signals in this sector of the market do not drive investment in long term infrastructure assets.

- A major price signal for gas storage is the difference between summer and winter gas prices. Daily cashout changes will not materially change the summer-winter price differential
- Domestic gas storage capacity is principally providing consumer protection against price spikes during periods of gas market stress or shortage. As Government Ministers continually state, it is essential to have diversity to ensure security of supply. Domestic gas storage provides the most reliable element to the UK portfolio of diversity and has the highest probability of delivery at times of system stress.
- EMR. It is acknowledged that gas will be required to provide electricity system balancing and support as the volume of intermittent renewables grows. This will increase the importance for secure gas supplies, at a time when domestic gas production is continuing to fall flexibility is most needed. The changes to gas demand are forecast to reach up to 100mcm/d purely as a result of changes in power generation demand.

GSOG would encourage DECC to ensure that the Gas Security SCR decision is acknowledged as delivering a purely 'short term' impact to the market and that there remains an urgent need to provide consumers with a solution to protect against gas price volatility during periods of system stress.

Yours sincerely



PP Roddy Monroe  
Chair  
Gas Storage Operators Group

CC: Tom Corcut, Thomas Farmer



## APPENDIX A

### **GSOG Members**

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