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Clement Perry
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Email: Clement.Perry@ofgem.gov.uk

Dear Clement,

Centrica Storage Ltd's (CSL) response to Ofgem's consultation on the options for Great Britain's implementation of the European Union Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (Regulation 984/2013) at the Bacton entry point

CSL welcomes the opportunity to comment on the above consultation.

In this response CSL offers its views on the two GB specific issues relating to the Bacton gas terminal; namely the implementing of "bundled" capacity products and the way in which Bacton entry capacity will be sold under the Capacity Allocation Mechanisms (CAM) regime.

With regard to the implementing of "bundled" capacity products, i.e. whether a bundled capacity product should include two Transmission System Operators (TSOs) or three TSOs, CSL believes that Interconnector UK (IUK) and BBL should consult with stakeholders on their proposals for which option they will implement subject to being CAM compliant and meeting their licence objectives. CSL's initial views for the bundling of capacity products for future bookings are that the two TSO bundle provides the greatest level of flexibility and seems consistent with IUK and BBL having been designated as TSOs.

With regard to the future mechanism for selling entry capacity at Bacton, CSL recognises the benefits of Ofgem's proposal to split the Bacton ASEP to create a single European Interconnection Point (IP) ASEP (encompassing both entry from IUK and BBL) and a UK Continental Shelf (UKCS) ASEP.

However, CSL has a number of concerns that we believe need to be considered when the arrangements for this split are being developed.

First, whilst the contractual arrangements for the Bacton ASEP may need to be changed to accommodate the implementation of the CAM regime, the physical capacity available at Bacton will not change. This capacity and the flexibility it allows Shippers to respond to market signals efficiently should not be unnecessarily reduced. CSL believes that National Grid has enough tools at its disposal to ensure that any split in the Bacton ASEP does not lead to higher costs and contractual congestion and suggests that Ofgem ensures that the necessary resources and engagement is undertaken to make this happen.

CSL also believes that Ofgem's proposal to allocate the maximum technical capacity to the IP ASEP is in line with the CAM regime and therefore the remaining capacity should be allocated to the UKCS ASEP. We also believe that existing holders of capacity at Bacton should be allowed to tag their capacity to either ASEP as they so wish.

There are a number of additional issues that need to be addressed as part of the development of the future arrangements for Bacton; these include:

- What happens if a third interconnector is built and connects into Bacton? CSL assumes that this would join the International ASEP. If there is unused capacity at the UKCS ASEP, then this could be traded/transferred into the International ASEP as a more efficient alternative to building (unnecessary) incremental capacity within that ASEP.
- What are the expectations of future UKCS production?
- How does Ofgem intend to ensure that the level of risk that National Grid is exposed to through its provision of NTS entry capacity does not change? The current level which National Grid has agreed with Ofgem through its RIIO price control (and which National Grid is remunerated through its cost of capital) must not be reduced as a result of the proposed new arrangements. We recommend that National Grid provides an analysis of the likelihood of interruption before and after the split.

I hope Ofgem finds CSL'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.

Yours sincerely,

A handwritten signature in black ink that reads "Roddy Monroe". The signature is written in a cursive, slightly slanted style.

Head of Regulatory Affairs
CSL