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By email: Wholesale.markets@ofgem.gov.uk

Dear Thomas and Andrew

Ofgem Consultation Storengy UK Ltd's application for a minor facilities exemption for Stublach phase 2.

Thank you for the opportunity to respond to the above consultation. This response is made on a non-confidential basis on behalf of National Grid Gas Transmission (NGGT). NGGT owns and operates the National Gas Transmission System (NTS).

Storengy UK Ltd has applied for an exemption from section 19B of the Gas Act 1986 in respect of their Stublach gas storage project. We support the granting of this particular exemption and exemptions more generally for this type of project where this is the only mechanism to ensure that such storage projects can be developed.

However we do have some concerns regarding the potential interaction between such exempt storage facilities, and our ongoing licence obligation to promote competition within the market for Operating Margins (OM).

We note that where such exemptions are granted then the owner of the facility is entitled to choose not to offer storage capacity to third parties including NGG acting in its capacity as the NTS system operator (SO). The absence of direct access (or indirect access via secondary capacity owners) could limit the SO's ability to source storage capacity for use in meeting future OM requirements.

As part of the RII0-T1 Price Control Review, NGG accepted Special Condition 8C. This requires National Grid Gas Transmission to use reasonable endeavours to promote competition in the provision of OM services.

Special condition 8C.2 states that:

"The Licensee shall use reasonable endeavours to procure its Operating Margins requirements in an economic and efficient manner and promote competition in the provision of Operating Margins to the Licensee in respect of the Formula Year commencing on 1 April 2013 and each subsequent Formula Year until 31 March 2021."

Facilities with an exemption under section 19B of the Gas Act may choose not to participate (to the full extent possible, or at all) in the OM tenders and NGG has no right to expect exempt facility owners to enter into negotiations under an nTPA regime in order to obtain the necessary OM service in the most economic manner.

If you would like to discuss this further please do not hesitate to contact David Wildash in the first instance on David.Wildash@nationalgrid.com.

Yours sincerely,

[by email]

Andy Balkwill
Regulatory Policy Manager