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## **Storengy UK answer to Ofgem's MPR for RIIO-T1 Consultation**

Dear Geoff,

Storengy UK welcomes the opportunity to answer the consultation on the mid-period review of RIIO-T1. As a storage operator on the natural gas market, Storengy UK is a user of both the electricity and gas transmission networks, and it has a vested interest in the well-functioning of the energy markets and efficient regulation.

We would like to address here the question related to gas transmission.

### ***Question 1: Do you have any views on our proposals to remove the pipelines output and allowances?***

Storengy UK acknowledges the fact that the Avonmouth storage facility had supported National Grid's gas transportation network by providing Transmission Support Services (TSS) and Operating Margins (OM).

We understand National Grid had previously identified the Avonmouth pipelines as the most efficient means of managing the closure of the storage facility. We appreciate that National Grid has concluded after a review that the pipelines are not needed. We understand this is due to lower demand forecasts which reduce the need for Transmission Support Services in the case of the Easton Grey to Pucklechurch pipeline segment. We also do not dispute NGGT's assessment that the Pucklechurch to Ilchester pipeline segment is not needed to meet safety requirements.

Storengy UK considers that removing the output of the price control will benefit UK consumers and the market as a whole, by avoiding unnecessary investments in the gas network. However, we would like to stress that the Operating Margins lost following the closure of the Avonmouth storage facility may still

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need to be compensated at the national level through means other than the pipelines that had been planned.

Consequently, Storengy UK proposes to convert part of the allowances not spent on funding for the provision of Operating Margins. We believe the Operating Margins formerly provided by the Avonmouth storage facility will be procured by National Grid at a competitive cost through the usual OM tender process, while ensuring the safety requirements are still met.

Furthermore, Storengy wishes such review of output to be conducted more frequently. In light of decreasing gas demand and uncertainty over flows, we consider that visibility over long term capital expenditure requirements in the grid is reducing. Hence, we advocate that capital expenditures should be avoided and flexibility achieved through market-based instruments using existing assets whenever possible. In our view, this could involve some adjustments in the regulatory and contractual framework, such as longer contracts for the procurement of tools to enhance flexibility. We are convinced that the existing UK gas infrastructure (such as storage plants, LNG terminals and other network entry terminals) can contribute to the requirements of the gas transmission system through a set of market instruments at a lower cost compared with new investments.

Sincerely,


Benoit ENAULT

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