

Modification proposal:	Uniform Network Code (UNC) 212: Revision of the Rough Storage Connection Agreement (UNC212)		
Decision:	The Authority ¹ has decided to accept this proposal		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	19 May 2008	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

Recent investments made by Centrica Storage Limited (CSL) have increased the capabilities of its Rough gas storage site. In particular, CSL notes that the recent connection of the Langede entry point at Easington has also significantly increased the exit capacity at the Rough System exit point.

The modification proposal

CSL and National Grid National Transmission System (NG NTS) have confirmed that an increase of injection capacity at the Rough facility to 26 million cubic metres (MCM) per day would not cause any operational difficulties. However, the current 21 MCM/day limit is specified in the Rough Storage Connection Agreement (SCA), modifications to which are subject to the UNC modification rules². Therefore, whilst no modification is required to the UNC itself, this proposal seeks to amend the existing SCA in order to allow the increased injection off-take rate.

UNC Panel³ recommendation

The proposal was discussed at the UNC Modification Panel meeting held on 15 May 2008, where the UNC Panel members voted unanimously to recommend its implementation.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 15 May 2008. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR⁴.

The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁵; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁶.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² http://www.gasgovernance.com/NR/rdonlyres/BAAFCE6E-DF8C-49AA-9F6D-A5F57CDA2216/25140/02_11_TPDJ1.pdf

³ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

⁴ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁵ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547

Reasons for the Authority's decision

We note that all of the thirteen respondents to the Joint Office consultation supported the implementation of UNC212. One respondent had initially provided qualified support, subject to confirmation from NG NTS that the proposal would cause it no operational difficulties; this confirmation was subsequently provided as part of NG NTS' own response.

We agree with the proposer, the majority of respondents and the UNC panel that this proposal will further relevant objective d) primarily, but will also have benefits with respect to relevant objective a) and to a lesser extent e).

Relevant objective a) - the efficient and economic operation of the pipe-line system to which this license relates

Several respondents commented that it would be inefficient for any additional exit capacity at Rough to be under utilized or 'sterilised'. We agree that this increase in injection capacity, which does not of itself require any further investment or cause NG NTS any operation difficulties, would improve the economic and efficient use of the network and therefore further facilitates this objective.

Relevant objective d) - so far as is consistent with subparagraphs (a) to (c) the securing of effective competition... between relevant shippers

We agree with those respondents who suggested that the implementation of this proposal will further facilitate effective competition between shippers, primarily by removing an artificial restriction on the availability of gas storage, and the potential distortion on competition that would result, to the disadvantage of those shippers who would otherwise utilise that injection capacity.

More generally, we consider that this modification should facilitate competition in the markets as a whole by allowing shippers to respond to price signals during the injection season and subsequently allow more gas to be made available to the UK market in the coming winter months.

Relevant objective e) - so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers

One respondent considered that whilst the implementation of this proposal will not itself provide an additional economic incentive upon suppliers, it will help to ensure that storage stocks are full prior to the winter period and reduce the likelihood of a Gas Safety Monitor breach or a subsequent Gas Emergency. We agree with the respondent that this proposal does not place a direct economic incentive upon suppliers to ensure domestic security standards are satisfied. However, to the extent that the increased availability of injection capacity will lead to more gas being made available to market, we consider that it should assist suppliers in meeting those standards, and will therefore have a marginally beneficial effect towards this objective.

⁶ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that UNC modification proposal 212: *'Revision of the Rough Storage Connection Agreement'* be made.



Mark Feather,
Director, Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose.