

The Modification Panel Secretary
Joint Office of Gas Transporters
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By Email

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Dear Sir,

UNC Modification Proposal 0071 and 71(a)

Thank you for the opportunity to comment on modification proposals 0071 and 71 (a). Centrica Storage Ltd (CSL) believes the relevant objectives will not be furthered by direction to implement either of these modifications.

CSL considers that modification 52 (52) furthered the relevant objectives by addressing discriminatory aspects of the storage monitor regime and furthered security of supply by encouraging (or not inhibiting) the cycling of gas into storage sites during a 'tight' winter. Furthermore we recognise that the incentive to monetise storage stock in the run up to an emergency (thus hastening an emergency) is lessened following implementation of 52.

In considering these modifications against the status quo we are specifically concerned that **incentives on storage users to cycle gas into store** will be weakened either through the uncertainty created by these modifications; any unintended consequences that cannot be recognised in such a short consultation period or more fundamentally through the actual compensation arrangements they create.

We are also concerned that storage users may face a credit 'crunch' in the event of an emergency through receiving compensatory cash payments against uncertain time-frames (instead of reducing imbalance exposure) whilst having to continue to source gas that was intended to come out of store and the credit requirement this exposes these users to.

CSL are hopeful that the industry will work towards a new solution to replace the Top Up/Storage Monitor regime arrangements for Winter 2006 which means that these 'transitional arrangements' only need to address the current winter.

Accordingly CSL considers the existing UNC creates sufficient ex ante incentives on storage users to cycle gas into store to safeguard security of supply for winter 2005 and that this proposal may threaten this position. We still consider ex post compensatory arrangements for storage users are appropriate and we await the decision on modification 67.

Please contact me should you require further information.

Yours Sincerely

James Lawson
Centrica Storage Ltd