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14 September 2005

### **UNC Modification Proposal 0035**

Dear Sir/madam,

Star Energy is grateful for the opportunity to respond to proposed UNC Modification 0035.

We oppose the modification.

Allowing the constraining of physical storage withdrawals before the market has been suspended is likely to have several outcomes that are extremely negative for long term security of supply:

- Storage Users may find that they are exposed to high imbalance prices, as the days where storage withdrawals are constrained are likely to be high priced days.
- Given that storage is only one form of flexibility this is highly discriminatory against this class of User.
- This exposure obviously reduces the attractiveness of storage from the Users point of view and may lead to lower storage bookings and less storage development.
- Storage Users may take a commercial view that it is better to deplete their stocks of gas in store earlier so as not to be in a position that their stocks are sterilised. This will of course make the constraining of storage withdrawals more likely.

This modification proposal is fundamentally flawed as it muddies the separation between a market based system and a command and control system. If market prices are insufficient to achieve a suitable outcome in terms of security of supply the answer is not to expropriate rights of a single type of market participant. Top

up was deemed not to be the answer, partly due to Transco's exposure. It appears that Transco are just attempting to move that exposure on to a different class of User. However, in this they appear to be ignoring the long term implications on security of supply and the (perverse from a security of supply perspective) commercial incentives it seems to provide to storage users.

The issue of how to ensure security of supply through market, quasi market and command and control measures is a serious one. It will be best solved by Transco, Users and other market participants (producers, storage operators, consumers) working together in a focused group, rather than by proposals put together as a quick fix by Transco operating alone.

Yours faithfully,

Adrian Fernando  
Business Development Director

cc: Sonia Brown, Ofgem