

REVISIONS TO SECTION Q TO FACILITATE NEC SAFETY CASE

MODIFICATION REFERENCE NUMBER 0035

RESPONSE TO DRAFT MODIFICATION REPORT, AUGUST 2005

WARWICK ENERGY LIMITED

Warwick Energy Limited (WEL) is a developer of UK energy projects including gas production schemes, gas fired generation projects and gas storage projects. WEL is therefore interested in the general development of NGT's system in an open, transparent, cost-effective and non-discriminatory way and also for the effective development of the gas market in general.

The main focus of our response to this consultation is quite naturally related to our proposed gas storage project at Caythorpe, and what impact the proposed changes to the current regime may have on this project, but we have also looked at the issues raised in a wider context.

Whilst we can see why a tidying up exercise has administrative merits we are not convinced that the case has been made for the real need for the proposed change and believe that it could prove to be counter-productive in the overall search for a more secure energy supply.

We agree with the various reservations that have been expressed by some members of the Transmission Workstream as documented in the Draft Modification Report dated 23rd August 2005. In particular we would like to highlight;

- 1 The value of storage projects would clearly be adversely affected and this may lead to less new capacity being made available to the market over the long term;
- 2 It may affect the way in which storage capacity is used by some players, rather than them just considering fulfilling the needs of their customers, which may adversely effect the effective operation of the market. This may reduce the amount of supply-side flexibility that is available to the system at certain times;
- 3 Higher costs for users, and thus higher prices for consumers will follow the implementation of this proposal, particularly resulting from higher system prices and overall balancing costs; and
- 4 Storage operators and users will feel discriminated against.