

Representation For. 0052

"Storage Withdrawal Curtailment Trade Arrangements in an Emergency"
Version 1.0

Date of Communication: 04/11/2005
External Contact: (Statoil (Uk) Gas Limited)
Slant: For
Strictly Confidential: No

Abstract

Julian Majdanski
Modification Panel Secretary
Joint Office of Gas Transporters
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West Midlands
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4th November 2005

Dear Julian,

Modification Proposal 0052 "Storage Curtailment Trade Arrangements in an Emergency"

Thank you for the opportunity to comment on this modification proposal. Statoil (UK) Ltd (STUK) is in support of this modification and would like to make the following comments.

The aim of Modification 0044 was to encourage shippers to facilitate an early demand side response, should there be a general shortage of gas on the system, helping to avoid the need for the National Emergency Coordinator (NEC) to declare an National Gas Supply Emergency (NGSE).

Since the implementation of 0044 shippers face strong incentives to avoid going short in an emergency as the short position would be subject to a SMP Buy cashout price.

At the same time, shippers could be prevented by the NEC from withdrawing gas from Store, even though shippers would have been expecting to use storage withdrawals to balance positions when supplies are tight. Therefore even the most prudent of shippers would face exposure to SMP buy price, due to their inability to access storage gas.

This proposal aims to ensure that a shippers financial position remains neutral to the consequences of an NEC storage curtailment, by using a Storage Withdrawal Curtailment (SWCQ) trade at 30 day SAP. Implementation of this proposal will remove the perverse incentive on shippers, who were seeking to maintain their storage supplies for customers throughout the winter period, to withdraw gas from store too early for fear of it being locked in, and promoting the onset of a gas supply emergency.

The implementation of this proposal would also restore the value of storage, encouraging investment into new and existing facilities, benefiting security of supply.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

Shelley Jones
Regulatory Affairs Advisor
Statoil (UK) Ltd