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3rd Party Proposal: Storage Information at LNG Importation Facilities Modification Proposal 0104

Dear Julian

Thank you for the opportunity to comment on the above Modification Proposal. BP does not support implementation of this proposal for the following reasons.

A11.1 (a) the efficient and economical operation of the pipe-line system

BP would like to make the point that at present there is only one LNG import terminal in operation and therefore this modification proposal, if implemented would have the effect of exposing the commercial positions of the primary capacity holders at the Isle of Grain. BP is supportive of measures which enhance security of supply for the UK. However we believe that this proposal may in fact be detrimental and have the effect of undermining the new Secondary Capacity Arrangements recently put in place at Grain by placing additional commercial exposure on third parties that have brought cargoes to the UK over and above the exposure placed on third parties in Europe or the USA under different regulatory regimes. This could lead to lower utilisation of the secondary product at Grain which would therefore have a knock on effect on the economic and efficient operation of the gas transporters pipeline system.

BP is of the view that this modification proposal would have the effect of making LNG terminals in the UK less attractive in comparison to LNG terminals in Europe and USA by placing onerous obligations on LNG users. It could also have the effect of hampering future investment in the UK by making the UK a less attractive place to do business going forward. New entrants could therefore make the decision that mainland Europe would be a better place to invest due to the regulatory uncertainty in the UK. Therefore, we believe that this modification proposal would not better facilitate relevant objective A11.1 (a) of the Gas Transporters Licence because it could adversely impact the economic and efficient operation of the pipeline system.

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BP notes that the proposer stated that the modification proposal would help shippers and customers forecast demand. BP considers that this statement is factually incorrect. Although there is an interaction with supply and demand through the price, demand is driven by different factors to supply and therefore BP fails to see that based on the proposer's justification, how this proposal would better facilitate relevant objective A 11 (a) of the gas transporters licence.

A11.1 (c) the efficient discharge of the licensee's obligations under its licence

BP considers that this proposal would not better facilitate relevant objective A11.1 (c) because we are not convinced that this proposal would increase the security of supply by helping customers make more informed purchasing decisions. BP struggles to see how knowing how much is in the tanks at Grain, data which represents only one small element of a much larger overall supply picture comprised of numerous elements and variables, would help customers make better purchasing decisions. In the UK energy market, the price should be the proxy by which customers base their purchasing decisions on. This proposal would in BP's view only have the potential to impede security of supply by placing the UK LNG users in a disadvantaged situation compared to their counterparties elsewhere, so much so that LNG spot cargoes could, all other things being equal, chose to go to other markets outside the UK. This could lead to security of supply problems in the UK, particularly in the future as LNG becomes a greater proportion of the UK's gas supply.

A11.1 (d) the securing of effective competition (i) between relevant shippers and (ii) between relevant suppliers

BP is of the view that this modification proposal discriminates against the current LNG users and creates an uneven playing field. In particular BP considers that currently this modification proposal discriminates against the Primary Capacity holders at the Isle of Grain facility as this is the only LNG terminal in operation this winter and the only planned terminal where National Grid will receive tank stock information. If this modification proposal was to be approved and National Grid was obliged to publish this information to the wider market, the Primary Capacity holders at Grain would be greatly disadvantaged in the short term because Grain is the only facility in operation this winter, and in the long term due to the fact that this information is not planned to be published at any of the other LNG import facilities.

For the avoidance of doubt, BP is supportive of appropriate levels of information disclosure provided that issues of confidentiality, commercial sensitivity and liability are fully addressed. However, in our view, this modification proposal further exacerbates the uneven playing field in the area of information disclosure as it aims to place further conditions on the supply side of the industry. BP supports the proposal to discuss information disclosure as a topic in the transmission workstream because we consider that it would aid Industry discussion into the level of information on the supply and demand side that would actually be useful and what information would have no discernible impact on the market as a whole. BP is of the view that piecemeal modification proposals such as this particular proposal are detrimental to the safe economic running of the NTS. In a competitive market it is not necessary for all players to know all the information to ensure a market works effectively and competitively. The interaction of supply and demand and hence the price ensures that a market remains competitive.

It is disappointing that Energywatch, having amended this modification proposal four times because of factual inaccuracies, have still in this final draft referenced the Guidelines for Good Practice for System Storage Operators (GGPSSO). As stated in the UK's Statutory Instrument 2004 No. 2043, LNG import facilities are specifically excluded from the definition of storage. Schedule 2, paragraph 6 (j) states that

"Storage facility" means a facility in Great Britain (excluding the territorial sea adjacent to the United Kingdom) for either or both of the following-

- (a) the storage of gas in cavities in strata or in porous strata, provided that the facility is or will be used for the storage of gas which has previously been conveyed in a pipeline system operated by a gas transporter;
- (b) the storage of liquid gas;

but the reference in paragraph (b) to the storage of liquid gas does not include such temporary storage as is mentioned in paragraph (c) of the definition of "LNG import facility"

With this definition in mind, it is apparent that the GGPSSO does not apply at LNG import facilities and therefore bears no relevance to this modification proposal.

In summary BP considers that this proposal, if implemented, would be detrimental to competition and would also discriminate against primary capacity holders at LNG import facilities, especially this winter and potentially in the long term as well. With this in mind, BP would therefore recommend that the panel vote against implementation of this proposal.

Please do not hesitate to call me on the above number if you have any queries regarding our response.

Yours Sincerely

Fiona Lewis