

7th August 2009

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Dear John

**RE: Modification Proposal 0257
Revision of the Gas Balancing Alert (GBA) Trigger / Safety Monitor**

Centrica Storage Ltd (CSL) welcomes the opportunity to comment on this proposal of which it is **not** supportive.

Whilst CSL understands and is sympathetic to the intentions of this modification, we are concerned that the changes suggested could have a detrimental effect on security of supply and on competition in particular due to the impact on the commercial interests of Long Range Storage (LRS) users.

We understand this modification attempts to do two things in order to avoid the trigger of a GBA where one storage type breaches its two day stock monitor level provided the deliverability requirements can be satisfied in aggregate. It attempts to:

- 1) Remove consideration of storage by 'type' in the GBA calculation shifting to an aggregate number; and
- 2) Move to a single aggregate Safety Monitor.

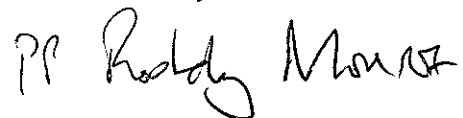
Whilst we agree that a GBA should not be triggered unnecessarily and are supportive of storage being considered in the deliverability calculations on a facility by facility basis, we are concerned that the move to a single aggregate Safety Monitor in the approach suggested could lead to a less diverse supply of safety monitor gas. In the current arrangements, the safety monitor gas is spread amongst many facilities, and this diversity is maintained by curtailing flows from groups of facilities when the two day monitor stock level is going to be breached. We believe the proposed arrangements could result in Short Range Storage and Medium Range Storage having the ability to fully deplete their reserves with no assurance that they will restock, thus potentially leading to LRS having to bear the entire safety monitor requirement.

Supply diversity is a key component of security of supply. Even given Rough's excellent reliability record, the potential reliance of one asset to provide the entire safety monitor requirement seems absent the necessary diversity to provide proper confidence in its delivery. Another and arguably more fit for purpose approach which could be considered is that of allocating a portion of the Safety Monitor gas requirement to each individual storage facility to ensure diversity is maintained.

We must also not forget the impact of Safety Monitor gas on users' commercial interests. As previously stated, the proposed approach may result in the burden of the entire safety monitor gas requirement being borne by the customers of LRS, which will result in associated costs of inaccessible gas having to also be borne by these users. This may reduce the incentive to utilise LRS. For this reason, we do not believe the proposal better meets the securing of competition objectives set out in clause 1(d) of Standard Special Condition A11 of the Licence.

If you would like to discuss our response, please contact me on the details below.

Yours sincerely,

A handwritten signature in black ink, appearing to read "PP Purdie Murray". The signature is written in a cursive, slightly slanted style.

Craig Purdie
Legal, Regulation & Compliance
01784 415317