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Competition and Markets Authority  
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London, WC1B 4AD

Cc: Mr Chris Brown,  
Head of Gas Systems, Ofgem

29 September 2017

Dear Adam

**Centrica plc (“Centrica”) and Centrica Storage Limited (“CSL”)  
Application to the CMA for the release of the Undertakings**

In 2003, following Centrica’s acquisition of the Rough Gas Storage Facility from Dynegy Group, Centrica and CSL gave undertakings (the **Undertakings**) to the Secretary of State for Trade and Industry pursuant to the Fair Trading Act 1973. Pursuant to the Enterprise Act 2002, the Competition and Markets Authority (**CMA**)<sup>1</sup> varied the Undertakings in 2006, 2012 and 2016.

On 19 June 2017, the Centrica plc Board approved CSL’s recommendation that it could not continue to operate the Rough Gas Storage Facility (the **Facility**) as a storage facility and should seek all necessary consents to produce all recoverable gas from the field (Attachment 1a provides the Board Paper and Attachment 1b the relevant extract from the Centrica Board’s minutes). CSL’s recommendation was based on:

- (i) the results of CSL’s Well Testing Program (conducted between March 2015 and June 2017) which demonstrated that the Rough wells are susceptible to a range of unpredictable age-related failures and any return to injection operations would pose an unacceptable health and safety risk. Further, these issues with the Rough wells have arisen in a context in which the offshore platforms and Easington terminal are also showing substantial age-related deterioration;

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<sup>1</sup> The CMA has taken over the relevant duties of the Competition Commission. The responsibility for the undertakings were transferred from the Secretary of State to the CMA’s legacy bodies, see paragraph 15(1) of Schedule 24 to Enterprise Act 2002, and Schedule 1 to SI 2004/2181.

- (ii) the only technically viable option for reducing the risk associated with injection operations using the current Rough wells and offshore and onshore assets to an acceptable level (as low as reasonably practical (**ALARP**)) is to abandon the existing Rough wells and drill new wells into the Rough field and to substantially rebuild the offshore and onshore assets; and
- (iii) making the asset safe for injection operations is not economic.

As a consequence, CSL is seeking the appropriate consents from relevant government bodies to allow it to recognise the permanent cessation of all storage activities and to produce all recoverable gas from the Rough reservoir.

Centrica and CSL consider that its decision to permanently end storage operations at Rough constitutes an irrevocable and fundamental change in circumstances. Consequently, the Undertakings are now no longer appropriate and should therefore be terminated.

In this letter, Centrica and CSL provide evidence of the existence and nature of the change in circumstances affecting the Facility and explain why such change in circumstances is such that the Undertakings are no longer appropriate in dealing with the competition problem which they were designed to remedy. We also consider that the context is such that it justifies Centrica and CSL being released from the Undertakings as soon as practicable.

## **1. The change in circumstances**

### **1.1. Background to the Rough Gas Storage Facility**

When Centrica acquired the Facility in 2002, it consisted of the Rough reservoir, two (manned) offshore installations (47/8A and 47/3B) and the Easington Terminal<sup>2</sup> (the **Terminal**), see Figure 1 below.

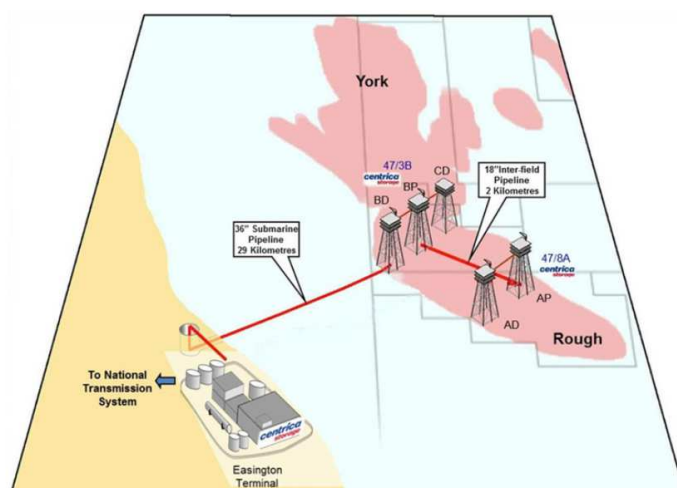
The Rough reservoir is located 29 km offshore from Easington, spans an area of approximately 30 km<sup>2</sup> and is located approximately 2.7 km under the seabed.

The two offshore installations (47/8A and 47/3B) were designed to be connected to the Rough reservoir by 30 wells. The 24 wells connected to the 47/3B installation allowed for the injection and withdrawal of gas from the reservoir, while, since the 1990s, the 6 wells connected to the 47/8A installation were available for withdrawal (47/8A was permanently withdrawn from service in September 2016).

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<sup>2</sup> More information regarding the Facility can be found in 'Rough Gas Storage Facility – An operational guide', available on CSL's website (<http://www.centrica-sl.co.uk/about-us/rough-guide>)

**Figure 1: The Rough Gas Storage Facility**



## 1.2. CSL imposed a limitation on Rough’s maximum operating pressure in March 2015 (“MAASP Issue”)

On 18 March 2015, CSL issued a REMIT<sup>3</sup> bulletin informing the market that it was limiting the maximum operating pressure of the Rough wells to 3,000psi. This limitation had the effects of:

- (i) limiting the maximum reservoir volume (the space into which gas could be injected) to between 29 and 32TWh (in 2014, the maximum reservoir volume was 41TWh); and
- (ii) decreasing injection and withdrawal performance (the rate at which CSL could transfer gas into and out of Rough).

The limitation was imposed based on a report from CSL’s Independent Wells Examiner, stating that the Maximum Allowable Annular Surface Pressure (**MAASP**) of the Rough wells had been calculated to be 3,000psi.

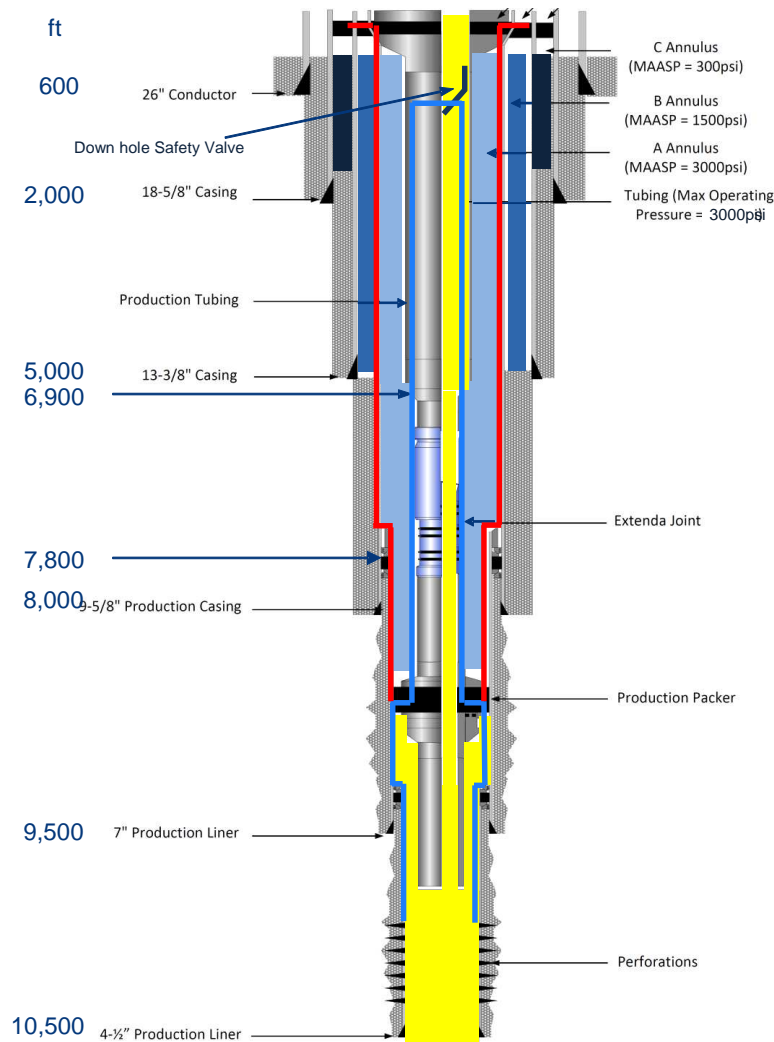
### 1.2.1. Steps CSL took in response to the MAASP Issue

Following identification of the issue, CSL commenced the Well Testing Program. This testing involved performing calliper runs to determine the metal thickness of the production tubing in each well (part of the primary containment envelope shown by the blue line in Figure 2) and pressure testing the secondary containment envelope of each well (the red line in Figure 2).

The intention of the Well Testing Program was to determine whether CSL could safely return Rough to a maximum operating pressure of 3,500psi. The Rough Field Operational Feasibility Report (Attachment 2) sets out details of the Well Testing Program and its results.

<sup>3</sup> Regulation on Wholesale Energy Market Integrity and Transparency (EU 1227/2011)

**Figure 2: Well diagram**



### 1.2.2. Overview of the Well Testing Program and its results

When CSL launched the Well Testing Program it anticipated completing all testing by the end of the 2016 Injection Season (between September and December 2016). CSL's expectation was that, following completion of the Well Testing Program, it would be able to return all operational Rough wells to service at a maximum operating pressure of 3,500psi.

In November 2015 CSL tested well B11 and identified a failure in the production tubing (the primary barrier). In June 2016, the secondary barrier of well C6 failed during the testing procedure. Well C6 was an operational well (i.e. it was not plugged) and its secondary barrier failed at a pressure below 500psi, significantly below the then prevailing reservoir pressure of c.2,200psi.

These test results were of particular concern to CSL because:

- (i) had the failure of the primary barrier and secondary barrier occurred in the same well, it would have exposed the B Annulus (the tertiary barrier) to the full pressure of the reservoir; and
- (ii) as the MAASP of the B Annulus is 1,500psi, the failure of the secondary barrier would have exposed the B Annulus to pressures in excess of its MAASP, which is unacceptable from an operational and safety point of view.

On 15 July 2016, in response to the failures in B11 and C6 (and having conducted further investigations into the wells), CSL announced that it would cease all injection operations until the Well Testing Program was completed (estimated to be March to April 2017). These issues also led to changes in how CSL tested the wells. In April 2017, CSL determined that given the number of well failures (see further below) it would be prudent to limit pressure testing of the remaining well stock to 2,000psi – the maximum pressure the wells would face for the remainder of the winter while the wells were in production mode.

By 20 June 2017, the date on which CSL issued its REMIT bulletin stating that CSL could not return Rough to storage operations, CSL had conducted calliper surveys on 22 wells and conducted pressure tests on 21 of the 47/3B wells<sup>4</sup>.

The results of the well testing can be summarised as follows:

Eight Secondary Containment failures.	Four failed a 3,600psi test (B9z, C1z, C3, C10), three failed a 2,000psi test (B1, B5, C5) and one failed to hold 500 psi (C6).
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Of the five that failed a 3,600psi test, two were tie-back wells, where the tie-back seals (located at the seabed) were the most likely cause of the failure. In well C1z, this hypothesis was given weight by deploying hydrophones, the information from which suggested a leak in a repair to the Production Casing below the tie-back system.

Note: because two of the three tie-back wells failed, the third well, C2, was also taken out of service even though it passed the 3,600psi A-annulus test.

One Primary Containment failure.	The first well tested was B11, with severe Production Tubing corrosion observed; this was deduced to be on the outside of the Production Tubing (in the A-annulus). This well passed its 3,600psi Secondary Containment test.
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<sup>4</sup> Three wells that have been plugged have not been tested, C9 discussed above, B7 and B8. B7 and B8 were plugged and not tested as CSL did not wish delay other urgent equipment integrity repairs and continued Wells Team's occupation of offshore beds was likely to impact this work.

Note: B3 appeared to have an Extenda Joint seal failure previously. However, this leak could not be replicated during testing. C9 appeared to have a Primary Containment failure through a suspected Tubing Hanger seal failure. However, once plugged, this failure could not be replicated with a hydraulic test. (Note: this well's Secondary Containment has not been tested.)

This equates to:

- (i) One confirmed Primary Containment Envelope impairment (well B11) out of 21 wells (pressure tested) = 5% (Well B3 not confirmed)
- (ii) Eight confirmed Secondary Containment Envelope impairments out of 21 Wells = 38%

The above results demonstrate that around one in every two of the 47/3B wells has some form of identified failure (or an unacceptable likelihood of failure in the case of well C2). It also demonstrates that there are a number of different forms of well integrity issues across the well stock.

### **1.2.3. Interventions considered by CSL**

CSL has considered a range of remedial measures which could potentially allow it to continue to inject through the "in-service" wells. Given the significant uncertainty over failure modes and fitness for service, additional barriers would need to be put in place to mitigate the effects of loss of primary containment and prevent loss of secondary containment. The additional measures considered are set out below.

- (i) Continuous monitoring through telemetry of all well annuli.  
This measure has already been approved and was fully implemented in September 2017 at a cost of £1 million.
- (ii) Remote actuated emergency venting system (controlled release of any gas reaching the A-annulus to atmosphere through a Platform Vent Stack) at a cost of around £3 million, potentially available by mid-2018. The two principal drawbacks of this option are:
  - a. The two machined exit holes from the A-annulus are fixed at a diameter of 2 1/16". This limits the amount of gas that can flow to the venting system. For most failure scenarios this is not an issue, but for some failure scenarios high in the well, this is a restriction that could conceivably prevent the pressure being sufficiently controlled.
  - b. Rough is fitted with a cold vent stack, not a flare stack. Thus if the emergency venting system was to be actuated, a plume of gas would develop from the Vent Stack. This could preclude any helicopter traffic at

the same time as the Platform Management wished to reduce the offshore manning in the event of a well integrity issue. To retrofit a flare stack would cost in the region of £15 million and take around three years.

- (iii) Remote actuated emergency kill system (push gas reaching the A-annulus back into the Production Tubing / Reservoir) at a cost of around £10 million, potentially available by mid-2019.

The principal drawback of this option is its required complexity to ensure it will operate successfully on demand. It would be required to lift, filter and chemically treat seawater and pump it into a given well on demand. This would require redundant systems and a high level of maintenance and assurance checks, which, although such activities contribute to high reliability, temporarily take one of the redundant systems out of service.

During the time required to implement any of these mitigations the Facility could not operate in injection or withdrawal mode and the business would continue to incur other operational costs without receiving any revenues.

In addition, to continue to offer a storage service with the remaining operable well stock and additional measures above would result in CSL operating in a manner where CSL would react to the consequences of known well integrity issues rather than correcting the well integrity issues themselves. Further, given that the elastomeric seals in the Extenda Joints will fail in time, CSL does not consider this approach to be ALARP. The indications are that even if CSL could become comfortable with this approach, the Health and Safety Executive may not.

The only remedial measure considered to mitigate all risks to an acceptable level is to drill new wells and rebuild the whole offshore facility (this conclusion was independently verified by the Group Wells Technical Authority). CSL has calculated the costs of rebuilding Rough to create a safe facility with broadly similar characteristics and had an independent expert verify these costs. CSL determined that these works would cost in the order of £1 billion and would take around five years to complete.

#### **1.2.4. Conclusions from the Well Testing Program**

Under the Offshore Installations and Wells (Design and Construction etc.) Regulations 1996, Well Operators are required to maintain two tested barriers at all times. Where a barrier has been impaired, the Operator is expected to repair or install a second barrier as quickly as practicable.

The fact that CSL knows that the Rough wells have a primary containment failure mechanism, which will fail in time<sup>5</sup>, in conjunction with a continuing uncertainty over the level of degradation in the wells' secondary containment envelopes, presents the business with a level of risk associated with operating the Rough well stock in injection mode which is unacceptable. This risk is exacerbated in the case of storage operations because injecting gas into the reservoir on

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<sup>5</sup> See section 1.2.3 referring to the elastomeric seals in the Extenda Joints



an annual basis increases the reservoir pressure, thereby increasing the stresses to which the wells are exposed and the magnitude of the hazard in the event of loss of containment.

To restart injection would be in direct conflict with the objective of operating the Rough Field whilst managing CSL's risks to ALARP. Further, there are no possible steps, other than re-drilling the Rough wells and substantially rebuilding the Rough offshore facilities that would reduce the risk of injecting into the reservoir to a level that is acceptable to CSL. CSL considers that any other conclusion would be inconsistent with the regulatory obligations binding on all storage operators and with the standards expected of a reasonable and prudent storage operator operating in Great Britain.

Given these circumstances, the recommendation of the Well Integrity Manager (which has been endorsed by the CSL Senior Leadership Team and Board of Directors) was that, as a reasonable and prudent operator, CSL's only option is to permanently cease injection operations using the existing well stock. In making this recommendation, the Well Integrity Manager also took into consideration advice, reports and feedback from Centrica E&P's Global Wells Technical Authority<sup>6</sup> (Attachment 3) and Axis Well Technology<sup>7</sup> (Attachment 4).

The Well Integrity Manager also recommended that, as interim safety measure, CSL should, as soon as practicable, produce sufficient gas from Rough to reduce the tubing head pressure of the wells to below 1,500psi (the MAASP of the tertiary containment envelope) thereby increasing confidence that the Rough wells have two effective barriers between the reservoir and the environment.

### **1.3. Investment in and economics of Rough**

The following section demonstrates how CSL has invested in Rough in order to enhance its storage capabilities and to extend storage operations beyond the initial design life of the assets. It also sets out why the level of investment required to make the assets capable of safe storage operations is uneconomic.

#### **1.3.1. Historic investment in maintaining Rough**

During the time that CSL has owned and operated the Facility, it has made significant investments in order to improve the Facility's availability, performance and physical capabilities.

For example, as set in CSL's submission to the CMA of 26 November 2015, between 2006 and 2014 CSL spent an average of [X] on maintaining the offshore and onshore infrastructure. This expenditure increased the working volume of Rough by c.15%, and successfully extended the Facility's deliverability and increased the rate of injection which allowed CSL to offer the increased storage capacity to the market. CSL's average total expenditure on the Facility during this period was [X].

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<sup>6</sup> CSL is permitted to receive services from Centrica in relation to asset management support

<sup>7</sup> Ofgem provided CSL with a copy of the report prepared by Axis Well Technology on the state of the Rough well stock, which it prepared for Ofgem as part of CSL's application to reduce the Obligated Capacity for the 2017/2018 Storage Year.



### 1.3.2. Recent investment in Rough including Well Testing Program

Between 2015 and 2017, the period during which CSL has been managing the MAASP Issue, CSL has continued to make significant investments in maintaining the Facility both onshore and offshore. CSL's total expenditure on the Facility was [£m] in 2015, [£m] in 2016 and anticipates spending [£m] in 2017. CSL has also undertaken a second jack-up campaign in 2017<sup>8</sup> to further expedite its offshore fabric works program. This campaign will cost in the order of [£m] (excluding the costs of the work executed).

Over this period, CSL's primary operational objective was initially to make the Facility safe to return to storage operations at operating pressures of 3,500psi, resulting in a working volume in the order of 43Twh – 46TWh.

### 1.3.3. Economic viability of Rough

Since 2011, the economic environment for storage operators has been challenging. In relation to long range storage, such as Rough, the summer to winter gas price differential (particularly quarter one, January to March) (the **Summer-Q1 spread**) is the key driver of the value of storage products.

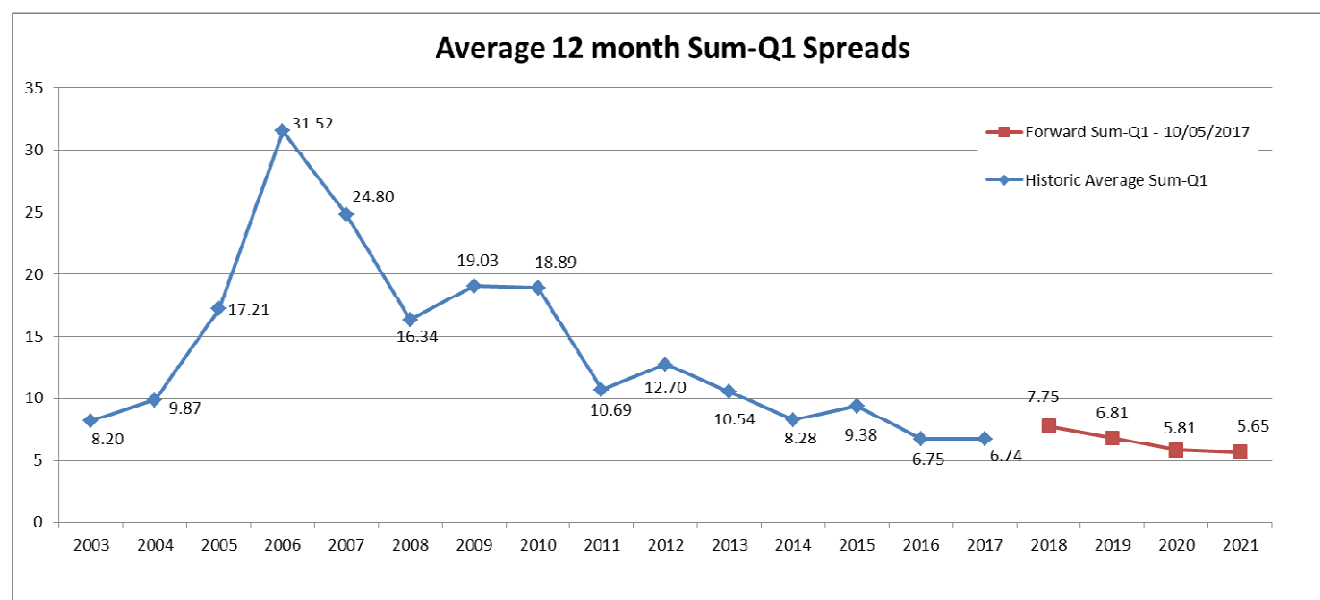
Figure 3 shows the average Summer-Q1 spread for each storage year since 2003 and expected spreads for the next four storage years (i.e. to 2021). This figure shows that spreads have been under £0.13 per Therm since 2011 and have been in the range of c.£0.06 to c.£0.07 per Therm for the past two storage years. Further, based on the forward market, spreads are expected to remain below £0.08 per Therm until at least 2021.

As set out above, the only remedial measure CSL considers would allow it to resume storage operations is to drill new wells and rebuild the whole offshore facility at a cost of c.£1 billion. CSL has estimated that it would require an average Summer-Q1 spread of [£/Therm] per Therm over the expected lifetime of the asset [£m] in order to generate an internal rate of return of [£/Therm].<sup>9</sup> This level of spread is well above the current and forecast levels and an IRR of [£/Therm] is well below CSL's hurdle rate for investment.

<sup>8</sup> In August to November 2016, CSL instigated its first jack-up campaign. This allowed CSL to nearly double the number of persons on board the 47/3B platform (90 persons on board the jack-up vessel; 102 persons on board 47/3B), thereby allowing the liquidation of significant volume of asset integrity work in addition to general maintenance. This campaign cost in the order of [£m] (excluding the costs of the work executed)

<sup>9</sup> CSL also assessed the economic viability of different options for refurbishing the offshore assets and remediating the existing well stock. These alternative options were less economic than the rebuild option because of the shorter overall lifespan of the refurbished assets and smaller operating envelopes for the facility.

**Figure 3: Average Summer-Q1 Spreads (2003 to 2021)**



Source: CSL using ICE settlement data, as at 10 May 2017

#### **1.4. Summarising the case for a change in circumstances**

As set out above in section 1.2.4, CSL has concluded that the Rough assets are no longer capable of injection operations without a substantial refurbishment. CSL considers that this conclusion would be reached by any reasonable and prudent storage operator in Great Britain and is supported in the reports set out in Attachments 2, 3 and 4. Section 11A(2)(a) of the Gas Act 1986 requires CSL to operate Rough in a manner calculated to ensure that the facility is safe, reliable and efficient so far as it is economical to do so. As set out in section 1.3.3, based on prevailing and expected market conditions, the level of investment required to meet the obligation to operate safely is not economically viable.

Based on these considerations, on 20 June 2017 CSL took the decision that it must permanently end storage operations at Rough and should seek to use the reservoir and assets to produce the remaining recoverable gas.

CSL considers that the above constitutes an irrevocable and fundamental change in circumstances that means the Undertakings are no longer appropriate and justifies the CMA releasing Centrica and CSL from them.

##### **1.4.1. CSL's views on the timing for its release from the Undertakings**

CSL and Centrica are seeking release from the Undertakings as soon as practicable, preferably before 31 December 2017. CSL sees no impediment to obtaining a release within this timeframe and considers that doing so will deliver cost and resource benefits to CSL, Centrica and the relevant regulators.

CSL has commenced engagement with all relevant Ministers and their agencies to facilitate Rough's transition from storage operations to production operations. On 6 July 2017, I, as CSL's Chairman, wrote to the Secretary of State for Business, Energy and Industrial Strategy, to inform him of CSL's decision (Attachment 5). On 21 July 2017, the Minister for Energy and Industry responded confirming that the Government understood Centrica's and CSL's decision and proposed that CSL apply to: (i) the Oil and Gas Authority (**OGA**) for the necessary consents to produce the recoverable gas; and (ii) the CMA to seek the termination of the Rough Undertakings (Attachment 6).

Further to this, on 5 September 2017, in response to a question from Mr Alan Campbell (MP for Tynemouth) the Minister for Energy and Industry confirmed that, based on the fact that the UK energy market benefits from highly diverse and flexible sources of natural gas, that he did not consider it appropriate to direct the OGA to assess whether the decision to close Rough would be detrimental to the public interest (Section 8 of the Energy Act 2016).<sup>10</sup>

CSL has commenced working with the OGA and other relevant bodies to formalise the permanent cessation of gas storage operations and gain the necessary consents to facilitate the blow down of the Rough field.

Ofgem is primarily responsible for monitoring CSL's and Centrica's compliance with the Undertakings and the Gas Act and CSL has continued to keep Ofgem abreast of Rough's operational status, including its decision to permanently cease storage operations. Ofgem has indicated that they do not see any regulatory impediments within the scope of their responsibilities that would prevent or delay CSL's transition to production operations.

CSL has also continued to keep the Health and Safety Executive abreast of Rough's operational status and will continue to engage with them regarding potential changes to the assets and how CSL will operate them in line with its regulatory obligations regarding health and safety.

In relation to CSL and Centrica costs, the sooner the Undertakings are released, the quicker CSL will be capable of accessing crucial business and support functions from the rest of Centrica Group without the restrictions imposed by the Undertakings. The shared service provisions of the Undertakings require CSL to maintain a range of duplicate processes and systems (including IS infrastructure), and prevent CSL from being able to access expertise from within the broader Centrica Group.

Removing shared services provisions will allow CSL to access a wider range of support from across the Centrica Group and reduce inefficiencies from maintaining resources associated with being a storage operator. Currently, duplicate functions include legal, finance, information systems, supply chain, regulatory affairs, compliance, company secretariat, trading and optimisation, technical authorities and engineering, health and safety etc.

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<sup>10</sup> See here: <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-questions-answers/?house=commons&max=20&member=529&page=1&questiontype=AllQuestions>

CSL and Centrica are also required to invest significant resources into ensuring compliance with the Undertakings. The compliance activities CSL and Centrica are required to have in place are intended to ensure that:

- (i) Rough's full capacity is sold on non-discriminatory terms;
- (ii) CSL auctions unsold capacity ahead of the storage year;
- (iii) the amount of Rough capacity Centrica can purchase is limited;
- (iv) Centrica and CSL maintain legal, financial and physical separation;
- (v) CSL develops and facilitates a secondary market for Rough capacity;
- (vi) at least 20% of Rough's capacity is offered on annual contracts; and
- (vii) compliance with the Undertakings is subject to independent review.

In order to demonstrate compliance with the specific requirements of the Undertakings to the Centrica Audit Committee, every quarter CSL completes in the order of 30 separate, evidence-based controls. Similarly, Centrica also has an extensive controls framework for managing Undertakings compliance. Centrica and CSL's Undertakings compliance programs are also subject to quarterly reviews by an external auditor. Managing this compliance framework requires a significant amount of time from the relevant compliance teams and employees at all levels of the business.

Further to the day-to-day compliance monitoring, CSL must also provide a number of reports to Ofgem and the CMA. These reports include the Annual Injection Report (UT paragraph 9.1(ii)), the monthly sales reports (UT paragraph 10) and the quarterly Compliance Report (UT paragraph 17).

As CSL can no longer operate Rough as a storage facility, the remedies embodied in the Undertakings and the monitoring and controls that support them are no longer appropriate. Given this, on-going monitoring of compliance with these requirements represents a cost not only to CSL and Centrica, but also to Ofgem and the CMA who must expend resources for monitoring and enforcing CSL's and Centrica's compliance.

Further, in relation to the resources of relevant regulators, if the Undertakings are not removed before 31 December 2017, then CSL will need to seek Ofgem's approval to reduce the capacity it is obliged to sell for the 2018/2019 Storage Year to zero (aligned with Rough's physical capabilities). This process includes a public consultation, appointment of independent experts and Ofgem's time and resources. This process takes at least two months to complete and would duplicate much of the information and analysis provided in this submission.

## **2. Application of the CMA's prioritisation principles**

The following sections explain why Centrica and CSL consider that their request for the release of the Undertakings is consistent with the CMA's strategic priorities.

## **2.1. Impact on customers, the market and end consumers**

As set out above, CSL has concluded that it is not feasible to operate the Rough assets as a storage facility or to make the investment required to reinstate storage operations. CSL reached this conclusion acting as a reasonable and prudent storage operator and considers it is the same decision any other reasonable and prudent storage operator in Great Britain would take in these circumstances. This position is supported by the reports provided in Attachments 2, 3 and 4.

Since CSL took its decision on 20 June 2017 to cease all storage operations at Rough, it has cancelled all storage capacity bookings for the 2018/2019 Storage Year and all future storage years. Further, CSL has issued a notice terminating all storage contracts relating to the Rough storage facility.

As Rough is incapable of storage operations and CSL cannot economically return it to storage operations, the Facility no longer forms part of the market for flexible gas in Great Britain and therefore the impact on consumers and the market is not relevant. This in turn means the remedies addressed by the Undertakings are no longer appropriate.<sup>11</sup>

## **2.2. Strategic Significance**

CSL understands that the Energy Market continues to be a strategic priority area for the CMA.

Should there be any material delay in releasing CSL and Centrica from the Undertakings, this would have a detrimental impact on the efficient functioning of the Energy Market. Firstly, it could delay CSL's ability to deliver the recoverable gas in Rough to the GB market. The shift to production will allow CSL to deliver in the order of 150 BCF of gas to the market over the next [X] years.<sup>12</sup>

Secondly, it could delay the reallocation of Gas National Transmission System capacity in a way that meets market demand.

## **2.3. Risk**

When the Undertakings were agreed in 2003, they were intended to address the public interest concern that 'in the absence further constraints, Centrica may be expected:

- a) to discriminate between customers in giving access to capacity at Rough;
- b) to use to its advantage sensitive information gained from the operation of Rough;
- c) to withhold information about the operation of Rough;
- d) to be less innovative in marketing Rough products than another owner; and

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<sup>11</sup> A review of industry press following CSL's REMIT notification of 20 June 2017 demonstrates broad industry consensus that the closure of Rough will not have a significant impact on the functioning of GB wholesale gas market given the availability of diverse sources of gas supply

<sup>12</sup> Note that this figure assumes that the CSL will deliver 30 BCF of gas to the GB gas market between October 2017 and April 2018 in order to reduce the pressure in the reservoir (see section 1.2.4. Also see REMIT 2017-55A)

e) to invest less in expanding Rough's capacity than another owner.<sup>13</sup>

Centrica and CSL consider that these public interest issues have already fallen away due to CSL not being able to operate Rough as a storage facility. This is because, CSL has no customers and is not offering storage capacity, therefore Centrica has no ability to discriminate between customers seeking Rough capacity (a above) or any scope to misuse customer information (b above), there are also no products that can be offered (d above). As CSL will continue to be subject to the requirements of REMIT while it withdraws gas from Rough, Centrica and CSL will be obliged to make information about the physical operations of Rough available to the market on a non-discriminatory basis (b and c above). Finally, as set out above, no reasonable and prudent operator would invest in expanding Rough's storage capacity (e above).

Given this, CSL does not consider that there is any risk associated with releasing CSL and Centrica from the Rough Undertakings as soon as practicable.

## **2.4. Resources**

As set out above, releasing Centrica and CSL from the Rough Undertakings will have a positive impact on resourcing requirements in the CMA and other regulators.

On behalf of Centrica and CSL, I would like to thank you for considering this submission. Should you wish to set up a meeting to discuss the content of this submission or require any further information, please contact Jeremy Thom ([jeremy.thom@centrica-sl.co.uk](mailto:jeremy.thom@centrica-sl.co.uk), +44 (0) 7789 574 755) or Antony Miller ([antony.miller@centrica-sl.co.uk](mailto:antony.miller@centrica-sl.co.uk), +44 (0) 7557 611 924).

Yours sincerely

Grant Dawson

**Chairman, Centrica Storage Limited**  
**General Counsel & Company Secretary, Centrica**

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<sup>13</sup> See Competition Commission (2003). *Centrica plc and Dynegy Storage Ltd and Dynegy Onshore Processing UK Ltd – A report on the Merger situation*, (p.4)

## List of Attachments

[✂]