

Robin Kunduchaudhuri
Competition and Markets Authority
Victoria House (6th floor)
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WC1B 4AD

31 October 2017

Dear Robin,

Centrica Storage Limited's (CSL) request to be released from Rough Undertakings

I am writing in response to your notice of 17 October 2017 which confirms the CMA's decision to proceed with a review of the Rough Undertakings and invites interested parties to comment on CSL's application to be released from the undertakings.

We consider that the Rough Undertakings have represented a vital safeguard which for many years has helped support competition in the GB wholesale gas market, to the benefit of consumers. The principles of non-discriminatory access, transparent reporting and business separation arising from the undertakings have promoted fair competition in a market which has had a strong influence on consumers' energy bills.

We understand that CSL now intends to close the facility due to concerns that it could not safely return the facility to storage and injection operation at an economic cost, and that its application demonstrates that it has taken significant steps to explore viable alternatives. On that basis, we are not aware of any risks to competition which should prevent the CMA from agreeing to the request.

We know from our own experience of operating the much smaller Hatfield gas storage facility in South Yorkshire that the market conditions for operating gas storage sites are presently very challenging and the returns are significantly below new entrant costs. We recognise that in an efficient market it should be possible for operators to mothball or close facilities which are susceptible to age-related failures that are uneconomic to resolve, and that this is an outcome which best serves competition.

It may be prudent (until the facility is finally decommissioned) for the release of undertakings to be subject to conditions, so as to keep a route open to re-impose competitive safeguards in the event that the circumstances noted in CSL's application change and the operator decides to re-commence operations at the facility.

I hope you find these comments useful. Should you wish to discuss any of these points further then please do not hesitate to contact me.

Yours sincerely,

Rupert Steele
Director of Regulation