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**NTS GCD 05 – Options for an SO Commodity Charge for NTS storage facilities**

Dear Debra

BP welcomes the opportunity to respond to this discussion paper. Our response is not confidential and may be placed on your website.

BP supports the principle that any proposed SO commodity charge for storage should reflect only the specific costs relating to additional SO cost elements incurred for using the storage facility. It is important that a double counting effect does not occur. SO commodity charge will already have been paid on the flows concerned at NTS entry and NTS exit as the gas continues its journey to an end user either directly from the NTS (to an NTS direct connection) or into a Local Distribution Zone. To use an analogy with a motorway journey, storage can be thought of as breaking the journey by stopping at a service station; the total journey distance (or use of the NTS) remains unchanged where one breaks the journey or not.

BP supports the principle of cost reflectivity. That said it is important to put into context the magnitude of the likely costs involved in relation to this specific issue. In the discussion paper a figure of 0.0031 p/kWh floated (0.09 p/therm) which at current GB storage throughputs equates to an industry wide cost of £2.5m pa.

The discussion paper hints at the possible complexity of potential solutions which in our mind raises the question of whether the costs of implementing and administering a solution on an ongoing basis are likely to be prohibitively

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expensive and likely to introduce an additional cost which would ultimately be borne by end users. We urge National Grid to undertake a thorough cost benefit analysis should proposals be progressed

In answer to the specific question raised by the discussion paper as to whether storage should continue to avoid an SO commodity charge, we do not believe there is presently a convincing case that one could be applied in a way which would result in net benefit for industry and consumers.

BP trusts that the above comments are of assistance to National Grid. Please do not hesitate to contact me on the number above if you wish to discuss any points raised in this letter.

Yours sincerely

**Andrew Pearce**  
**Regulatory Affairs**