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22 February 2008

Dear Debra,

Re: GCD05: Options for an SO Commodity Charge for NTS Storage Facilities

Thank you for the opportunity to provide comment on the above discussion paper, Statoil (UK) Ltd, (STUK), would like to provide the following comments.

STUK is not in support of, and believes there is little justification for, the introduction of an NTS SO Commodity Charge for NTS Storage Facilities.

By introducing an SO commodity charge to storage exit flows and, in effect, increasing the costs of using gas in store, investment into new facilities and the improvement of existing facilities may be deterred. Any charge which represents an increase in the cost of using storage could be seen to discourage storage use. This could lead to insufficient storage for the future requirements of the UK and could prove detrimental to the security of supply and the economic and efficient operation of the System as a whole.

The key principle of cost reflective charging as supported by the Licence Objectives is to ensure that parties face the costs they impose on the system. Storage sites have long been seen to provide benefit to the system, often flowing gas in to the system at times of stress, in effect offering a free balancing tool to the transporters and helping to reduce their compression cost. As storage sites can receive nominations and renominations for both injection and withdrawal on the same day, it is entirely possible that a net position of zero physical flows can be reached. Any proposal to apply charges based on commercial flows would lead to over recovery by the NTS and cannot be seen to promote the efficient operation of the pipeline system, there is also the probability that there will be less storage cycling as the spread needed to make injection and withdrawal economically viable will be widened.

Cost reflective charges where they can be implemented, contribute to the efficient use of the network, to the ultimate benefit of consumers. The introduction of a SO Commodity charge to storage exit flows would not only fail to be cost reflective, but may also serve to impede the service that Storage Operators provide to the system.

If you have any questions, please contact me on the above number.

Yours sincerely



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Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed.



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