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Dear Ian

OM Contestability Conclusions and Initial Thoughts for Incentive Arrangements

Statoil (UK) Ltd (STUK) welcomes the continued work by National Grid on OM contestability and the opportunity to provide comment on this consultation.

It is important to recognise that as OM gas is used at times of system stress, contestability should not be sought at the expense of system safety. A number of the suggested alternative OM service providers including TCCs and offshore pipelines are not recognised by the HSE and a change to the Safety Case would be required to allow the OM service to be provided by these sources. STUK believes that the implications of a change to the safety case should be holistically and fully considered before any proposals for change are made.

Procurement Strategy

STUK support the principle of procuring OM provision ahead of time to provide an increased level of certainty that the OM service would be available and so help to ensure security of supply. However, STUK appreciate that there may be benefits to be realised by allowing OM service providers the ability to contract for OM provision close to real time including increased certainty in the volumes of turn-up and turn-down rates and increased market participation and would therefore support further work in this area.

SO Incentive Arrangements for OM

STUK believe that the 100% sharing factors should be retained as a transitional rule until there is comfort that an acceptable level of contestability in OM provision has been reached to prevent perverse incentives for National Grid due to NG LNG ownership.

By shifting incentive start dates away from financial years, there is an increased risk of complexities in the calculation and the stability of the SO commodity charge, therefore maintaining the current incentive start date is preferred.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

Shelley Rouse
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Statoil (UK) Ltd