

Adrian Leigh  
Project Manager  
Rough Undertakings Review  
Competition and Markets Authority  
Victoria House  
Southampton Row  
London WC1B 4AD

21 March 2016

Dear Adrian,

**Re: CMA's ROUGH UNDERTAKINGS REVIEW – PROVISIONAL DECISION**

Centrica Energy Marketing and Trading (formerly part of Centrica Energy) welcomes the opportunity to comment on the CMA's provision decision following its review of the Rough Undertakings.

We are broadly supportive of the means by which CSL can seek to modify the Obligated Capacity and for this to be achieved via the proposed Adjustment Mechanism. We agree that Ofgem would be better placed than the CMA for deciding on outcomes when the Adjustment Mechanism has been invoked by CSL. The CMA's position on the Specified Capacity as it relates to the Minimum Rough Capacity (para 4.48 of the Provisional decision) is aligned with our principal comment on the Issues Statement and we agree with the provisional decision to retain a 25% 'MRC cap' as the default position.

We do, however, have a significant concern with the proposal for changing the definition of Specified Capacity. We agree with the principle that Centrica should be no better or worse off as a result of the CMA's decision following the current review. However, this outcome will not be achieved because of the new restriction on Centrica's right to purchase Incremental Capacity prior to the Storage Year as described in paragraph 4.64 (c) of the Provisional findings paper. We observe that "*Centrica can access no Incremental Capacity until 34.7 TWh of space has been sold ahead of the Storage Year*".

This is a fundamental change to Centrica's existing ability to access Incremental Capacity and is, in our view, contrary to the objective of not making Centrica either better or worse off. This will take immediate effect if the undertakings are amended as proposed under the provisional decision<sup>1</sup> which means that without any change to CSL's offering of Obligated Capacity (requiring recourse to the Adjustment Mechanism) Centrica is immediately disadvantaged.

We do not understand the logic behind the rule set out in paragraph 4.64 (c) of the Provisional decision paper. Centrica's access to any Incremental Capacity ahead of the Storage Year (including injection and withdrawal capacities) is dependent on 34.7 TWh of space first being sold. Therefore, Centrica's access to the injection and withdrawal rights conferred by Incremental Capacity, and which have been quantified in Table 1.1 on page 11 of the Provisional Decision document, are being limited solely on the basis of a consideration of how much space has been purchased before the start of the Storage Year.

We therefore ask the CMA to review its proposals in the light of the concerns we have expressed and to retain Centrica's existing rights to access Incremental Capacity on the 'no better, no worse' principle which the CMA has

---

<sup>1</sup> See the proposed redefinition of 'Specified Capacity' at paragraph 22 of the marked-up undertakings



outlined. In essence, this would mean retaining Centrica's existing rights to buy the other elements of Incremental Capacity, apart from Space.

Finally, we note and agree with the CMA's provisional conclusion in paragraphs 4.125-4.126 of the document, as regards changes to Centrica's organisation structure. We consider it most efficient for the CMA to receive only one set of proposals in this respect (from CSL), but we have provided CSL with relevant details relating to the business units which were formerly part of Centrica Energy.

Yours sincerely,

Graham Jack  
Regulatory Manager.