

Mr. Bob Fletcher
UNC Panel Secretary
Joint Office of Gas Transporters
1st Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT

13 April 2010

Dear Bob,

RE: Modification proposal 0289: To Determine the Amount of NTS Exit (Flat) Capacity to be Released where the Quantity of Unsold NTS Exit Flat Capacity Fluctuates within the Gas Year.

Thank you for the opportunity to respond to this consultation. British Gas Trading (BGT) does not support its implementation.

We fully agree with the proposer that clarity is needed in respect of both National Grid's release obligation, and the opportunities available to Users to avail themselves of NTS Exit capacity. It is regrettable that the current regime does not provide the required level of clarity, and whilst we recognise that it is the intention of this proposal to add to that clarity (and to some extent it succeeds) it also raises further questions in respect of the release of Exit capacity. We set out below the concerns and thoughts we have.

1. We are unclear how a request for ad-hoc capacity which is subject to a demonstration date, and therefore would exceed the baseline, would be treated. For example, a request for ad-hoc capacity is received by National Grid in April of year Y. A demonstration date is set for 1 November in year Y+2. This proposal is silent on whether the capacity which is subject to successful demonstration would be offered in the Year Y July application window for Y+1, Y+2 and Y+3, or whether such capacity would be withheld from the July application July pending demonstration.
2. Whilst it is not made clear in the modification proposal, 0289 would appear to significantly reduce National Grid's risk under the UNC. This assertion is based upon the example set out above, where under the prevailing regime National Grid would not be able to withhold from release the capacity which is subject to demonstration (on the basis that such capacity would not be "reserved for registration).
3. This proposal clearly envisages that system changes will be required in order to implement it. This fact suggests that current system functionality, which given its roots in the original Exit reform

proposals will have been funded by National Grid, is flawed. Notwithstanding that this is estimated (but not guaranteed) to be a zero cost system change, it seems inequitable that shippers should be asked to pay half towards a share of any final implementation costs in order to correct those systems.

4. Further, we disagree with the proposed apportionment of costs between shippers. The proposal makes the assertion that current holders of Exit capacity will be the beneficiaries, and that the benefit that such shippers derive from this proposal will be proportionate to their Exit capacity holding as of 1st October 2012. We believe that this basis for recharging any costs is inappropriate.

Clearly, any clarity which is provided around the release of Exit capacity will afford a benefit on an enduring basis – that is, to any shipper who may in future wish to apply for annual Exit capacity irrespective of whether or not they currently hold Exit capacity. Similarly, we believe that the extent of any benefit is more closely linked to the use which any shipper makes of the annual Flat capacity booking facility after such clarity has been provided, rather than based on a current holding. It would therefore seem, for example, that a cost recovery mechanism on a transaction basis, post 1st October 2010, would be more appropriate.

Please contact me if you would like to discuss this response.

Yours sincerely,

Chris Wright
Commercial Manager