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Joint Office of Gas Transporters

By Email

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Dear Mike

UNC 0037 – “Limitation on offering for sale unsold capacity”

Thank you for the opportunity to comment on Uniform Network Code Modification Proposal 0037: "Limitation on offering for sale unsold capacity".

Centrica Storage Limited (CSL) does not support implementation of the proposed modification.

Firstly CSL would like to comment that it is disappointing the modification was not raised at an earlier stage. The compressed timescale for consultation means that shippers have little opportunity to assess the potential advantages and disadvantages of the proposal. We are not aware of any change of circumstance or other modification which could have caused this modification to be raised at this time with urgency. We urge the Authority and industry to consider a review of the urgent modification process to ensure modifications cannot use the existing urgent status 'rules' to circumvent more transparent modification routes involving greater industry scrutiny.

UNC0037 proposes Transco may notify users it is not releasing unsold capacity where Transco NTS assess the likelihood of capacity not being physically delivered on time. CSL feels that reducing shippers opportunity to purchase entry capacity (for both RMSEC and DADSEC) runs contrary to the original intent of the incentive mechanism and will detract Transco from providing timely system enhancement and security of supply.

Furthermore, CSL considers the trigger events for Transco NTS to restrict the release of unsold capacity are arbitrary, subjective and difficult for shippers to challenge and place undue emphasis on the Authority to monitor the use of the powers this modification proposes to grant the relevant transporter.

Transco is incentivised to invest in infrastructure to allow delivery of capacity, or alternatively it may elect to avoid investment and take the risk of facing buy back costs. CSL believes that the proposed modification would serve to drastically alter the balance of risk and reward for Transco. We do not believe it is appropriate for changes to Transco's incentive arrangements to be achieved through changes to the Uniform Network Code.

CSL also disputes Transco's use of the term "inefficient levels of buy back costs". In our view, high levels of buy back costs are generally a result of inefficient investment in providing entry capacity.

Transco should not be afforded protection from its own decisions to not invest or its inability to deliver projects in reasonable time.

In summary, although CSL does not believe that entry capacity auctions are the most efficient or effective method of providing investment signals, changing the mechanism in the manner described by this modification will reduce the quality of the signals and incentives that are provided and we cannot therefore support implementation.

Please do not hesitate to contact me or James Lawson on 01784 415 304 should you require further information.

Yours sincerely

Julian Cunningham
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