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Mr. Julian Majdanski
Joint Office of Gas Transporters
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19th June 2006

Dear Julian

Re:- Modification Proposal 0086 “Introduction of Gas Demand Management Reserve Arrangements

APX does not support the implementation of this Modification Proposal 0086 for the following reasons

1. May create an incentive to withhold supply

The principles behind the current cash out methodology are that all shippers should have sight of gas prices on the day together with the balancing actions taken by NGG. This information is provided by the OCM. The availability, transparency and timeliness of this information allows shippers to make balancing decisions based upon robust price signals.

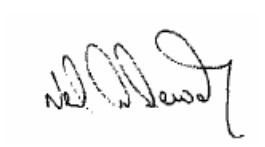
We believe that Modification 0086 compromises these principles because those shippers who receive an instruction from NGG under their gas reserve contracts will have sight of an NGG action ahead of the rest of the market. This may create an incentive for those shippers with this knowledge to withhold supply in the expectation of price increases. This would clearly be an unintended and undesirable consequence of the Modification.

2. May diminish demand side participation

The OCM provides real time system prices to the market Modification 0086 proposes alterations to the way the cashout prices are derived, by including an Availability Payment and a Utilisation Payment it is envisaged that the Utilisation Price could set the System Marginal Buy Price for the day. We believe that the price of the marginal therm on the system should set the SMP but we believe that the inclusion of an Availability Payment will not only distort price signals but could artificially inflate the value of Gas Demand Management, in other words customer interruption, and therefore making it less likely to be called.

Whilst APX does not support Modification 0086 we are fully prepared to work with the industry to ensure its implementation in the event that it is adopted.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Dewar', written in a cursive style.

Neil Dewar
Commercial Manager