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Joint Office
National Grid Gas

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30 November 2006

Dear Julian,

Re: UNC Modification Proposal:- 0090 Revised DN Interruption Arrangements

Thank you for the opportunity to comment on this Modification Proposal.

British Gas Trading (BGT) supports the main principles behind this modification proposal. However, residual concerns around the impacts of a limited tender response, result in our support for this modification proposal being qualified. Our thoughts are set out in more detail below.

BGT are concerned that the current arrangements have led to a situation where a surplus of interruptible capacity has been made available to the DN Operators (DNs), well beyond the levels that they require to meet their 1-in-20 licence obligation.

As a consequence of the current arrangements, whereby the DN's offer discounted transportation charges to customers offering interruptible capacity, a cross-subsidy now exists with customers in the smaller firm and domestic market funding the provision of excessive levels of interruptible capacity.

We are fully supportive of arrangements that would allow the DN's a greater degree of control in determining the level of interruption required for their networks, thus removing the costs burden placed in the firm market caused by subsidising unnecessary levels of interruptible capacity.

We are also very conscious of the impact that a limited response to a DN interruption tender would have on both the cost of capacity and upon emergency arrangements.

It remains unclear to us at this stage how, if these new arrangements could result in a situation whereby a DN was placed in a distressed buyer position due to a limited tender response, the market would be protected from considerably higher costs than the current burden of interruptible capacity.

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Furthermore, we are concerned by the view held by some DNs that, in the event of a limited tender response, three years lead time for investment in network development may not be sufficient to provide the required capacity in the relevant gas year. This has obvious consequence in the existing Firm market.

Throughout the modification development workgroup the fall back position of the DNs in this situation has been to rely upon firm load shedding as part of a Network Gas Supply Emergency (NGSE).

It is our view that these new arrangements should in no way impact upon the availability of capacity to customers currently receiving a firm supply. We do not believe, either, it would be acceptable for the DNs to rely upon Network Gas Supply Emergency Arrangements to cover any shortfall in volume of Interruptible Capacity offered through the tender process, as this would appear to be against the basis of the original connection of some NSLs and Interruptibles.

We note that this proposal is only one part of the package of changes that would be needed in order to fully implement revised DN interruption arrangements and that mitigation of the concerns we have outlined may be found through these.

In summary, we believe that with appropriate safeguards to prevent increased reliance upon Network Gas Supply Emergency Arrangements or undue cost being passed to the firm market, modification proposal 0090 could be a pragmatic option for allowing DNs greater control around the levels of interruptible capacity they have access to. It will also have the effect of preventing or reducing the current cross-subsidy between firm and interruptible customers, whilst also allowing consumers greater flexibility and choice.

Please don't hesitate to contact me if you have any queries about this response.

Yours sincerely,

Chris Wright
Contracts Manager