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Dear Julian,

RE: MODIFICATION PROPOSAL 0119 – “Amendment to the Entry Overrun Charge”

Thank you for the opportunity to comment on the above modification proposal. On balance, British Gas Trading (BGT) supports this proposal.

We are not aware of the degree to which the inappropriate behaviour (whether intentional or not) to be addressed by this proposal, impacts upon the operation or correct cost allocation across the NTS. However, to the extent that abuses may occur, and incentives exist to act inappropriately, we agree that it is appropriate to have an overrun regime that incentivises Users to book network capacity. In particular, there would appear to be no incentive not to book capacity where entry prices were set to zero.

However, we also recognise that not all entry overruns will result in a cost to the system, and could even be beneficial where the system is short. It is important that any new regime does not deter Users from entering gas in excess of held capacity at such times.

Where inappropriate behaviour does occur in the form of capacity overruns, particularly on constrained days, neutrality ensures that where costs are incurred, the system operator is protected, with other Users picking up the costs through a smear. This will clearly result in an inequitable charge on such other Users, including those that have secured capacity commensurate with their gas delivery intentions. Accurate cost allocation across the system is fundamental to facilitating effective competition between relevant shippers, further to that relevant objective.

Following on from this, we believe that in the event that National Grid is required to perform a buy-back on a constraint day in its role as system balancer, we believe that, if implemented, this modification will provide more certainty that any such action will result in the desired effect. To this end, we agree with the proposer that this should give rise to more efficient and economic operation of the pipeline system.

We understand the argument put forward by the proposer that the use of overruns, instead of purchasing entry capacity, does not provide for effective investment signals to be passed on to the Transmission Owner. However, it is also evident that the Transmission Owner could take the view not to invest, even where such a signal has been provided. In such circumstances, we would suggest that the use of overruns by Users would continue to be a legitimate course of action, however this should not be at the expense of other Users.

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

Yours sincerely

Chris Wright
Contracts Manager