



Mr J. Majdanski
Secretary, Modification Panel
Joint Office
National Grid Gas

Centrica Energy
Millstream East
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Tel. (01753) 431059
Fax (01753) 431150
Our Ref.
Your Ref.

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Dear Julian,

RE: Modification proposal 0138: "Transitional Arrangements for Entry Capacity Transfers to Sold Out ASEPs"

Thank you for the opportunity to comment on this modification. British Gas Trading (BGT) offers very qualified support for this proposal.

First, to explain the qualification in our support, BGT recognises the proposer's apparent frustration over the slow development of workable capacity transfer mechanisms. However, this is a complex development, and we believe that care needs to be taken to avoid unnecessary or unforeseen complications.

Ideally, we would wish greater consideration of the effects of this proposed transfer mechanism upon User behaviour during capacity auction rounds. We would also like at least an indication of the exchange rates that Users could expect to receive when transferring capacity between terminals, or alternatively the provision to applicants of actual exchange rates before the AMSEC auction round (i.e. the application process before the auction). This would allow appropriate bidding, and avoid capacity stranding where a User bought capacity expecting to transfer it, only to find that a transfer was not possible due, for example, to deeply unattractive or even zero exchange rates.

We believe that only then would we be in a position to properly assess whether this proposal could really add to the efficient operation of the NTS.

That said, it is evident that there are capacity constraints around particular terminals, which are likely to present at least commercial difficulties for some players, possibly leading to concerns over security of supply for this coming winter. This proposal seeks to overcome these, and to the extent that it is effective in doing so, it will add to the efficient and economic operation of the NTS, further to Standard Special Condition A11,1,(a).

We also believe that the introduction of this mechanism would act as a test bed for the development of future transfer proposals. In particular, we believe that exchange rates determined under early application of this proposal will act as indicative rates for future applications of this, or indeed subsequent, transfer proposals.

On a more detailed point, on page 4 under paragraph 6, reference is made to 14 days and 7 days, whereas other timescales are described in business days. Is this correct?

In summary, we believe it is extremely unclear whether or not this proposal offers a better solution to maximising entry capacity than current mechanisms. That said, we agree that there may be a case for taking the first step towards a capacity transfer regime but, if implemented, we would encourage a full review after the winter period to assess whether more capacity had actually be released.

Should you have any queries with regard to this response please do not hesitate to contact me.

Yours sincerely,

Chris Wright
Contracts Manager