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Our Ref.
Your Ref.

15 August 2007

Dear Julian,

RE: Modification Proposal 0169: "Transfer and trading of Capacity between ASEPs"

Thank you for the opportunity to comment on these proposals. British Gas Trading supports the original proposal – 0169 – but does not support the alternate proposal 0169A.

Whilst these proposal differ in detailed ways from their respective originals – 0169 to 0156A, and 0169A to 0163 - they are sufficiently similar in the main thrust of what they seek to achieve that much of our original thinking as set out in our responses to those consultations still stands.

In respect of 0169, we agree that two rounds of auctions are preferable to the one round proposed by 0156, allowing shippers to more accurately value entry capacity. We agree with the proposer that it would be regrettable if 0156A were found to be un-implementable due to slippage in the timeline, and we agree that it is sensible to bring forward this further proposal as a contingency.

BGT was unable to offer support for 0163 and the key issues that dissuaded us from offering our support then are carried forward to this proposal. First, offering up capacity at the originating ASEP first will afford some Users preferential rights to obtain capacity in advance of other Users, at a price that may not fully reflect prevailing market conditions.

Secondly, we believe that 0169A would undermine the rights of Users who have legitimately bought capacity in the 2007 AMSEC market process in order to transfer that capacity to another ASEP.

We understand the arguments put forward by the proposer for 0169A – mainly that capacity should not be transferred away from an ASEP where it is required. However, we continue to believe that whilst all of 0156, 0156A and 0169 might allow the capacity in

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question to go into the auction process, any User will have the ability to return that capacity to the ASEP where it originated by paying the market rate. This fact would tend to underline the value based approach to capacity based on prevailing market conditions, rather than using prices previously paid as a proxy for current market conditions.

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

Yours sincerely,

Chris Wright
Commercial Manager