



Tim Davis
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Dear Tim

UNC Modification Proposal 246, 246A and 246B: “Quarterly NTS Entry Capacity User Commitment”.

Thank you for the opportunity to comment on the above proposal removing the requirement to hold two auction processes and allowing a combined single application window. For the avoidance of doubt Corona Energy (CE) supports modification 246B and does not support 246 or 246A.

Cancellation Fee

CE welcomes the raising of all three proposals but is unable to support two of the proposals due to their use of a cancellation fee. CE agrees with BGT that this terminology legitimises the action of Users who renege on previous auction User Commitments. CE believes that 246 and 246a would introduce a contractual remedy for a defaulting user which would restrict National Grid Transmission (NGT) from pursuing all losses in excess of the ‘cancellation fee’ (which could be ninety percent of the value at risk).

Revenue and Cost Reflectivity

CE notes that this modification does not solve the issue highlighted by National Grid that where reinforcement has not been undertaken and no service has been offered, they will be allowed to collect revenue on the assumption that the connection would have been completed.

In a non-regulated commercial situation the service provider (in this case NGT) would only have a right to compensation to cover their loss. It seems inequitable that with all three modifications a significant risk would remain on the shipper community yet NGT would still retain rights to collect revenue for a service never provided.



CE trusts that Ofgem will address this issue at the same time as it considers all three modifications.

Credit Arrangements

CE notes the comments made by EDF in their modification in relation to the provision of parent company guarantees. It seems a little strange that were CE to present a parent company guarantee from Macquarie Bank that this would be unacceptable however a letter of credit from the same institution would be acceptable.

While unable to support the EDF proposal because it retains the cancellation fee element, CE is sympathetic to their concerns that the credit arrangements in the NGT proposal appear to be significantly different from the existing arrangements for Transportation credit.

Conclusion

CE believes that implementation of proposal 246B is an appropriate response to the concern that organisations may make speculative bids for entry capacity and expose all gas users to fund the costs of any reinforcement of the network.

I trust these comments are helpful. If you have any queries regarding this response please contact Richard Street on 0208 632 8169.

Yours,

Richard Street*
Regulatory Affairs Manager
Corona Energy

*please note as this letter has been delivered electronically a signature will not be attached