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Email: [enquiries@gasgovernance.com](mailto:enquiries@gasgovernance.com)

Dear Julian,

02nd August 2007,

**RE: Modification Proposal 0163 – “Offering capacity at Donor ASEP in Trades & Transfers Process”**

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

Centrica Storage Ltd (CSL) does not support the implementation of Modification Proposal 0163.

CSL feel that sufficient notice was given prior to the AMSEC auctions that Trade and Transfers would be in place for this winter and that it would be the last opportunity to secure firm long-term capacity for a specific ASEP. The proposed modification introduces the opportunity for ex-post distortions to the allocation of capacity to locations where users value that capacity most.

The proposed trades and transfer modifications introduce mechanisms to enable capacity to be moved to locations where it is valued most and can be most efficiently utilised. Modification 0163 would undermine the efficiency of this mechanism by allowing the incumbent User of an ASEP to block a transfer without competing.

We are unclear about what the modification states about the pricing of capacity and believe that the User surrendering capacity may receive less value than they paid for it. It is also unclear how competing bids and surrenders would be ranked.

We are concerned that this proposal will enable an incumbent User to withhold bids in the AMSEC auctions, allowing a low clearing price, and then secure capacity at the average auction price. This will be a particular issue where a low number of users participate at an ASEP.

We see the introduction of trades and transfers as being part of a package of reforms to the entry regime which include reform of the interruptible regime and improvements in the transparency arrangements for market participants. We



believe that modification proposal 0163 would unduly restrict the movement of capacity across the network through introducing priority calls on capacity.

In conclusion CSL believes that the implementation of the proposal will not further the relevant objectives.

If you have any questions or queries regarding this response, please do not hesitate to contact me.

Yours sincerely

Stuart Waudby