

Mr. Bob Fletcher
UNC Panel Secretary
Joint Office of Gas Transporters
1st Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT

5 May 2010

Dear Bob,

RE: Modification proposal 0285: Use it or lose it”(UIOLI) Interruptible Capacity only to be released when there is at most 10% unsold firm entry capacity

Thank you for the opportunity to respond to this consultation. British Gas Trading supports its implementation.

The magnitude and volatility of TO commodity charges has been of considerable concern to BGT in recent years, and we strongly welcome the series of workshops held, and subsequent modification proposals raised, in order to tackle the deficiencies in the current arrangements.

This modification is one of a number that are likely to be required in order to rectify the issue of TO Commodity charges which lead to unfair cross subsidies between shippers who pay for their capacity and those that don't. This in turn leads to paying shippers having to pay twice – i.e. the original capacity purchase price, plus the additional TO Commodity charge, in order to make up the shortfall in National Grid's allowed revenues.

Evidence shows that a contributory factor towards the under-recovery by National Grid of its TO allowed revenue is the significant volumes of zero priced and near zero priced interruptible capacity that is being utilised by shippers. The increasing volumes of unsold capacity associated with decreasing UKCS supplies, and shipper experience of (lack of) capacity related interruption, means that this situation is unlikely to resolve itself. We therefore agree that intervention in the status quo is required, and believe that this modification proposal will help to tackle the issue of TO under-recovery.

We believe that the original proposer has correctly identified the relevant objectives affected by this proposal, and the other associated advantages. In particular, we would focus upon A11.1(d) – better alignment between the prices paid for NTS entry capacity will lead to a reduction in cross subsidies to low paying shippers, thereby securing effective competition between shippers.

We also believe that this proposal better facilitates A11.1(c) – The efficient discharge of the licensees obligations in respect of charging methodologies in terms of cost reflectivity, promoting efficiency and avoiding undue preference.

Please contact me if you would like to discuss this response.

Yours sincerely,

Chris Wright
Commercial Manager