

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

4 May 2010

Dear Bob,

**RE: Modification proposal 0284: Removal of the Zero Auction Reserve Price for Within-day Daily NTS Entry Capacity (WDDSEC)**

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 large volumes of Within-day NTS entry capacity is being sold at zero price, and it is now evident that the arrangement whereby a 100% reserve price discount is applied to this capacity is leading to the issues outlined within the modification proposal, and above. Indeed, it would seem that left un-tackled, this situation could spiral as shippers increasingly seek to rely on this arrangement in order to avoid paying directly for their NTS entry capacity, particularly in the light of significant volumes of unsold capacity at a number of ASEPs (meaning limited risk of capacity becoming unavailable).

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; and
- 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.

We also believe that this proposal will increase shipper appetite for secondary capacity trading, which should lead to more accurate valuation, and more efficient use, of capacity.

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

Yours sincerely,

Chris Wright  
**Commercial Manager**