



Mr J. Majdanski
Secretary, Modification Panel
Joint Office
National Grid Gas

Centrica Energy
Millstream East
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Tel. (01753) 431059
Fax (01753) 431150
Our Ref.
Your Ref.

27 October 2006

Dear Julian,

RE: Draft Modification Report 0112: "Aggregation of Credit Positions or Use of Group Ratings".

Thank you for the opportunity to comment upon this modification proposal.

British Gas Trading (BGT) offers qualified support for this proposal.

We believe that aggregated credit positions and use of group ratings are an acceptable form of security, providing that appropriate safeguards are put in place to manage the increase in credit risk that accompanies the use of such tools.

We broadly agree with safeguards set out in the consultation, however these do not explicitly state that where the parent company has two credit ratings that differ, the lower will be used. This principle has, however, been applied within this proposal in respect of the country of residence of the parent company, and indeed within modification proposal 0107 – "Specially Commissioned Credit Ratings". We therefore believe that this principle is implicit in this proposal, although it is not stated outright. Our support for this proposal hinges on this point.

We agree with the proposer that if implemented, this proposal would facilitate the securing of effective competition between relevant shippers, through a lowering of barriers to market entry, and the potential to reduce tied costs across the industry.

Please don't hesitate to contact me if you have any queries about this response.

Yours sincerely

Chris Wright
Contracts Manager