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Dear Julian

RE UNC Urgent Modification Proposal 0043 – Limitation on offering for sale unsold capacity

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

We acknowledge that this Modification replaces Modification Proposal 0037 and has been necessary due to some amendment sought by the proposer to the original proposal.

We would again register our concerns about the extremely short timescale available to Users to consider and respond to this proposal and we re-iterate our previous comments contained in our response to Modification Proposals 0036 & 0037 in that matters of this nature are not best served by this hurried and piecemeal approach.

Similarly, we do not believe that there is justification in aligning the Uniform Network Code to the recently amended Incremental Entry Capacity Release statement as we do not believe that Users responses to the consultation on that document have been fully addressed.

With regard to the Modification Proposal itself, we believe that the proposal is still unclear. It addresses both incremental capacity and also seeks to apply a methodology restrict to existing, or baseline, capacity.

With respect to the issue of incremental capacity, we have some sympathy with the view that the Transporter should not be obliged to provide capacity above the baseline level where this has not been already allocated within an auction or allocation process in accordance with the Incremental Entry Capacity Release (IECR) statement. An example of this may be where winter quarters have been bid for and allocated in the QSEC process but for some reason it is not possible to provide the same level of incremental capacity in summer quarters.

However, the proposal also seeks to relieve the Transporter of the obligation to make available System Entry Capacity (SEC) up to the level of SO Baseline. British Gas Trading (BGT) believe that this is totally unacceptable. To allow quantities of SEC below baseline to be withheld undermines the basis of the Price Control and the incentives regime which they are subject to.

The NTS Transporters licence obliges them to offer 80% of System Operator (SO) baseline in the LTSEC. The licence also obliges them to make available 100% of baseline in the AMSEC, RMSEC and daily auctions up until D-1. Capacity below baseline is obligated and there must be no restriction of its availability, as to do so would radically alter the incentive structure built around capacity release. Users will have applied these baseline quantities as being available up to D-1 in preparing their strategy for longer term acquisition of SEC.

We recognise that this obligation does not extend to the gas day itself in order to reflect the physical limitations upon capacity due to the configuration of the system and the pattern of gas flows on that day.

Our understanding is that Baseline Capacities have been assessed as the current capability of the gas transmission system as it already exists. This is also the basis of the assets held by the NTS Transporter upon which they are allowed a rate of return reflected in their Price Control formula. To allow the NTS Transporter to withhold any element of this baseline capacity suggests that there are amounts within their allowed revenue related to assets that do not exist. As has been suggested in our previous response, if this is the case we believe that the Transporter should be exposed to a greater proportion of the buyback cost within their incentive arrangements.

We do not accept that the baseline quantities of capacity can be restricted in any way without a commensurate review of their Price Control and Incentive regime.

For the reasons above, we do not support the implementation of this Modification Proposal.

Please contact me if you require any further information.

Yours sincerely,

Mike Young
Commercial Manager