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Dear Julian

**RE UNC Urgent Modification Proposal 0061 – Facilitating further demand side response in the event that a Gas Balancing Alert is triggered**

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

We would first like to comment on the timing of this Modification Proposal. It has been commented a number of times at industry workstreams that it is very late in the year to be considering changes to the operational processes affecting continuity of supplies over the winter months. Whilst we support the principles of the objectives of these modifications, it is not in the best interests of the industry to be dealing with changes of this nature at this time.

This modification proposal seeks to enable the Transporter, in the role of residual balancer, to source additional quantities of gas through demand side response. We understand that there are parties that are currently not able to respond because of multiple day trades or because they are not active parties on the OCM. Whilst it is desirable to enable these parties to offer their demand side response to the system operator there are inevitably a number of practicalities to be considered before this can be enabled.

With regard to the multiple day trades, it is evident that the period of system need will not be common with the period over which the response is offered. Therefore, some methodology is required with which to "weight" the cost of the response to the period of need. As this is likely to have an impact upon system cash-out prices over the period, we do not believe that this methodology can be implemented from a "quick-fix" remedy without proper consideration of the effects.

In relation to the aspect of the modification dealing with non-OCM trades, this again will have an impact upon daily prices but there is uncertainty about the manner in which Users will be aware of such trades being accepted and the consequent effect upon prices. It has been commented that there would be an inevitable delay in revising the current system

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prices to take account of such trades but to date we have not been made aware of how this information will be published and the scale of the delay. In the circumstances which would apply when this process would come into play, this information is critical to the effective operation of the market.

We understand that National Grid (NTS) were due to issue a note of clarification on these issues. This has not been seen at the time of writing.

In summary, although we are supportive of the objectives addressed by this proposal we do not believe that it provides a workable solution in its current form. Consequently, we are not supportive of the implementation of this Modification Proposal as we do not believe that it furthers the relevant objectives of an efficient and economic operation of the pipeline system or the provision of incentives for relevant suppliers. Although not specified in the proposal, we believe that the Modification addresses issues of supply security but the difficulties in operation mean that this would not be adequately met by this proposal.

Please contact me if you require any further information.

Yours sincerely,

Mike Young  
Commercial Manager