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Our Ref.  
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31 August 2006

Dear Julian,

**RE: Draft Modification Report 0089: Clarification of Timescales to Revise AQ for Small Supply Point threshold-crossers**

Thank you for the opportunity to offer comment to this draft Modification report.

British Gas Trading (BGT) is strongly opposed to this modification for reasons that we will detail within this response, and believe that its implementation would operate against the spirit & intent of Mod 640.

A fundamental principle underpinning the competitive gas market is that of fair & equitable apportionment of costs & charges, in particular ensuring that these fall in the correct place, whether this is upon an individual party or, at an aggregate level, a market sector.

The proposer has cited 3 advantages of the proposal against each of which we offer the following comments:

**"Clarifies current obligations on Users"**

BGT do not agree that there is any ambiguity with regards the timeline for AQ revision submissions & therefore clarification is not required.

**"Improves operational efficiency"**

BGT do not agree with the proposer's assertions that Mod 089 would improve operational efficiency & have not been presented with evidence in support of this.

**"Aligns operational practise with the intent of Mod 640"**

Through the creation of incentives, the implementation of Mod 640 led to a significant improvement to the accuracy & equitability of the gas settlements process. This draft Modification report seeks to dilute those very incentives that Mod 640 created & would result in an increase to the volume of unreconciled energy, reducing the accuracy &

equitability of Settlement & increasing the volume of RbD through misallocated charges from the LSP sector. Mod 089 certainly works against both the intent & the practical operation of Mod 640.

The above points are further substantiated in Ofgem's Mod 640 determination letter dated 8th June 2004.

We are disappointed that this Mod proposal has been raised. As a consequence of its implementation it would undo the improvements that Mod 640 implemented & would act as a lever for further commercial gain with charges being misallocated amongst RbD shippers.

In summary BGT does not believe that this Modification would further the relevant objectives as set out in section A11.1(d) of the Transporter Licence. On the contrary we believe that the implementation would detract from securing effective competition between relevant shippers & suppliers through the mis-allocation of charges across market sectors.

BGT would also like to take the opportunity to cross-reference our formal response to UNC Modifications 94/95/96 where we have provided material evidence as to why the three Mod 640 exclusions should in fact now be removed from the UNC. This evidence further substantiates our rejection of this Modification.

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

Yours sincerely

Chris Wright  
**Contracts Manager**