

19 September 2006



Julian Majdanski
Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands B91 3QJ

Dear Julian

Re: Draft Modification Report 0103

Corona Energy ("Corona") wishes to submit the following in response to the above draft modification report.

Introduction

Corona fully supports the implementation of this Modification Proposal. In our view, the EBCC is, and should be, the vehicle by which decisions relating to the recovery of Energy Balancing Debt should be governed. The current rules place NG NTS in a position which requires that in certain circumstances, it alone and without reference to the community, determines the viability of pursuing debt recovery activities, whilst it is not directly exposed to the consequences of such a decision. In addition, due to its own exposure to unrecovered transportation debt, there is the potential for NG NTS to experience a conflict of interest, which again reinforces the view that it may not make decisions in the best interests of Users.

Corona believes that this Modification Proposal provides a more balanced approach to protecting the interests of Users, while ensuring that NG NTS is not financially disadvantaged when acting on their behalf.

Modification Report Sections

Consequences of non-implementation

Non-implementation of the Modification Report would continue to expose the community to unrecovered debt which may have been recoverable. In addition, the conflict of interest experienced by NG NTS would be more likely to be perpetuated. The EBCC, as a committee which represents the interests of Users, should be empowered to review energy balancing risk and direct activities which are reasonable and proportionate to the management of that risk. Ultimately, it is

incumbent upon Users to limit risks to the community which cannot be directly managed by any individual Party. Non-implementation of this proposal would allow the continuation of an incongruous situation - NG NTS making decisions where, at best it is not subjected to the consequences of those decisions and, at worst, it has a vested interest in making a decision which may not be in the interests of the wider community.

Better Facilitating of the Relevant Objectives

Corona accords with the assertions made in the Draft Report that implementation of this Modification Proposal would better facilitate Standard Special Conditions A11 1(a) and (f) of the GT Licence. In addition, Corona would argue that it better facilitates SSpC A11 (d) (i) of the Licence, on the basis that it limits exposure to Users. The level of exposure to each individual User is determined by subsequent smearing formulae which do not necessarily reflect the impact of the default on the User, particularly as the level of exposure cannot be directly managed by the individual User.

Impacts on Security of Supply, Total System operation and industry fragmentation

None

Implications for Transporters

a) operation of the system

None

b) development and operating costs

None

c) cost recovery

None

d) consequences on price regulation

None

Impact on contractual risk for transporter

None, as the Modification Proposal explicitly allows for the recovery of costs incurred by NG NTS in pursuit of the debt

Impact on UK Link and other Systems

None

Impacts on Users, including contractual risk etc...

Clearly, this Modification Proposal would permit more informed and potentially less biased decision making by a body whose principal objective is to serve the interests of the community it represents. For reasons stated previously, the Modification Proposal should be considered on the basis of the current levels of risk incumbent upon Users and whether that level of risk can be justified. In our opinion the current levels of financial risk to Users cannot be justified as they can be better managed by the EBCC which, in serving the community, has an interest in minimising that risk.

Impacts on Terminal Operators, Consumers, Connected Systems Operators, Suppliers, Producers, and any non-Code Parties

None

Consequences on legal and regulatory obligations for all Parties

None

Advantages of the Modification Proposal

- Limits financial exposure to the Community as a result of Energy Balancing risk
- Permits the Industry, via the EBCC, to play a more proactive role in assessing and managing community risk
- Removes the potential for vested or conflicted interests acting against the benefit of the wider community.

Disadvantages of the Modification Proposal

None

We trust you find our comments useful and if you have any questions then do not hesitate to get in touch.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Gary Russell".

Gary Russell
Finance Director