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Dear Julian,

**RE: Draft Modification Report 0114: "Quantification of Value at Risk (VAR) to determine maximum User Credit Security Requirements".**

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

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

We recognise the intention to reduce barriers to market entry through permitting lower amounts of securitised credit required from each User. In this particular case, this is achieved through moving the basis for calculation of credit cover from the current peak trading levels, to an amount based upon the previous calendar month's transportation invoice value.

We agree that this will allow Users, especially those for whom financial margins are tighter, to take advantage of lower transportation credit costs by reference to lower invoice amounts. We also believe that it is useful to have a stated methodology by which a common understanding of VAR can be calculated, and both of these factors can be considered to be benefits to the industry.

However, weighed against this is the increased risk that is passed to the balance of the industry resulting from the lag between such Users receiving higher invoices, and subsequently being required to increase their credit cover. This lag will follow any increase in regulated transportation charges, or following an upturn in transported volumes, either due to weather or increased business by the User.

For BGT, the pros and cons as set out herein are finely balanced. However, we also note that the proposer has suggested that there will be additional monitoring costs over the current regime, and potentially higher administration costs as well. Without having estimates of these figures, we believe that this proposal should only be implemented

where costs are considered to be reasonable, and low enough not to overshadow any financial benefits that might accrue from this proposal.

For the reasons set out above, our support is qualified. If implemented, we would expect competition between relevant shippers increase.

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

Yours sincerely

Chris Wright  
**Contracts Manager**