



Mr J. Majdanski
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Dear Julian,

RE: URGENT MODIFICATION PROPOSAL 0117 – “Amendment to Invoice Billing Period”

Thank you for the opportunity to offer comments on the above urgent modification proposal.

Whilst British Gas Trading has some sympathy with the main intent of this proposal, we have major concerns about the implications, which we believe will unduly impact a number of players across the industry. We are therefore unable to offer support for this proposal.

Our concerns with modification proposal 0117 are set out in more detail below, but in recognition of these we have separately raised Urgent Modification Proposal 0122, which we believe addresses the key elements of 0117 but in a more equitable way.

Our concerns with 0117 are as follows:

1. The proposed timescale that in effect limits the reconciliation period to 26 months is not appropriate, in that it will not always allow the completion of all the necessary activities required to protect the integrity of the settlement system. As a consequence, there is a significant risk that the accuracy and equitability of settlement will be compromised. Should this happen, the result would be incorrect allocation of costs and charges across parties, giving rise to cross subsidies. This would directly harm the objective of securing competition between relevant shippers.
2. We believe that this proposal could result in the creation of a perverse commercial incentive, rewarding shippers who chose to delay the submission of reads in to settlement, delaying the resolution of suppressed reconciliations. As above, any such actions will result in unfairly apportioned costs, typically at the expense of RbD shippers, to the detriment of competition between shippers.

3. We do not believe that the proposal is sufficiently clear as to how the invoicing issue and validation process would work. We believe that, as worded, the proposal would require a number of different “back stop” reconciliation dates for different invoices, any number of which could be live at any one time. This could make the invoice validation processes unwieldy if not impossible.
4. Restricting the ability of Transporters to recover revenues within the current price control could lead to repeated requests for Income Adjusting Events from Transporters. Not only are such events costly and time consuming to administer but, should the propensity for such requests increase, this would further reduce rather than increase commercial and regulatory certainty.

To summarise, we believe there is merit in constraining the ability of Transporters to recover revenue from a price control period, once closed. This aids commercial certainty and removes perverse incentives. However, we believe this could create perverse incentives upon shippers, and could increase commercial uncertainty, thus having a detrimental impact upon competition.

As mentioned above, BGT has raised a further modification proposal – 0122 - which we believe provides a more appropriate and equitable solution to the issues at hand. In addition, will be raising a review modification to ensure that these complex issues, including the optimum time period for retrospection, are fully considered.

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

Yours sincerely

Chris Wright
Contracts Manager