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8 February 2007

Dear Julian,

RE: Modification proposal 0121: "The Provision of Ex-Post Demand Information for all NTS Offtakes"

Thank you for the opportunity to comment on this modification proposal. British Gas Trading (BGT) does not support this proposal.

This circumstances of this proposal are somewhat unusual, in that there is a further modification proposal in play – 0130 – which seeks to achieve quite similar results, namely greater transparency in NTS demand. However, 0130 proposes to achieve this at a less granular level by aggregating demand across four groups of offtakes, rather than by individual offtake point.

BGT believes that 0130 would, but for the sake of timing, have been raised by its proposer as an alternate to 0121. Our response therefore anticipates 0130 arriving effectively as an alternate to 0121, to be decided upon in parallel by Ofgem.

As a strong proponent of competition, BGT recognises the need to have access to essential network information in order to create a fair, transparent and effective market place. However, we would also guard against releasing information at such a level that it could potentially be open to abuse by competing parties. To this end, we do not necessarily believe that more information is always better.

We expressed similar concerns in respect of proposal 006, which sought the publication of near real time information about system entry points. In that case, we were concerned that providing a means of identifying distressed parties could decrease market stability and drive prices higher; contrary to the intention of that proposal.

For this particular modification proposal 0121, notwithstanding the extensive work undertaken by the proposer to understand gas consumers' views, we have an underlying concern that some customers may find their commercial positions exposed by a more

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general publication of demand data down to individual offtake points. This point is brought more into focus due to different treatment of similar gas users, where one is an NTS direct connect, the other a DN connected load.

Given that proposal 0130 is now within the modification process and at this stage appears to address our concerns by aggregating data to a level which is no less useful to shippers but protects commercial confidentiality, we do not support 0121.

We believe that the principle behind proposal 0121 – the release of network demand information - has the potential to further the efficient and effective operation of the gas pipeline system by providing shippers with greater information to enable more accurate balancing of their portfolios. However, we are also concerned that in this particular case the release of information at the level of detail proposed could lead to the introduction of undue discrimination between gas users, and potentially price volatility should it be possible for competing parties to identify distress situations and seek to capitalise upon those. We believe that data aggregation, as proposed by 0130, could remove this risk. Therefore, we cannot support 0121 and will respond separately to 0130 when it is submitted for consultation.

Should you have any queries with regard to this response please do not hesitate to contact me.

Yours sincerely,

Chris Wright
Contracts Manager