

25 June 2007



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

Dear Julian,

Re: Draft Modification Reports 0146

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

Introduction

By way of introduction Corona wishes to emphasise key observations made in our response to Ofgem's Consultation Document "*Recommendations for best practice guidelines for gas and electricity network operator cover.*" Our response detailed the principles we believe should be adhered to when considering any modification to the credit rules, and are reproduced as follows:

"A number of issues must be taken into account when considering whether changes to the existing credit arrangements will further facilitate competition by lowering barriers to entry but without simultaneously undermining confidence in the efficient operation of the gas and electricity markets.' We believe it is important to distinguish between the two aspects of this statement.

- I. Providing/increasing unsecured credit to smaller/unrated companies will lower barriers to entry.*
- II. The greatest potential to undermine confidence in the gas and electricity markets will occur due to the failure of a large shipper/supplier, of which there have been a number of such failures in the last few years (Independent Energy, Enron, and TXU Europe). Failure of small shippers/suppliers has limited financial or operational impact.*

In addition, our assessment of the recommendations of the Workgroups and Ofgem has taken into consideration the following:

- any changes to the credit arrangements should ultimately be for the benefit of the customer, either through a more competitive market, or a more secure and stable environment, or both;*

- *As a regulated industry, the Network Operators (“NWO”) do not have the option to refuse to trade with a counterparty.”*

In light of this, Corona evaluations as to the merits of the various Modification Proposals are based on the fulfilment, or otherwise, of the basic principles which we believe are fundamental to the operation of the credit arrangements and by extension the competitiveness of the UK gas markets.

In summary, Corona’s assessment of the individual Modification Proposals will, in addition to testing them against the Relevant Objectives, consider the following impacts:

- Reduced barriers to entry for “smaller” companies
- Increased potential for failure for “larger” companies
- Produce benefits to customers
 - i. more competitive markets; and/or
 - ii. more secure and stable environment

Hereafter, the measures detailed above will be termed the “Corona Objectives”.

Draft Modification Report 0146 – Acceptable Security Tools available to Users for Transportation Credit Arrangements

Corona fully supports the implementation of this Modification Proposal. In reality the majority of the tools detailed are currently acceptable to Transporters. The proposal inserts into UNC an ongoing obligation to allow the employment of these tools to all Users. Codification ensures that these arrangements will continue to be in place across all networks, reducing User uncertainty and costs.

Better Facilitating of the Relevant Objectives and Corona Objectives

Corona accords with the view expressed in the Draft Report that the Proposal would facilitate the securing of effective competition between Shippers. This will, in turn would provide benefits to customers.

Corona believes that the Proposal would reduce barriers to entry for smaller companies by requiring Transporters to adopt a consistent approach to credit requirements.

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

Yours sincerely

James Crosland