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Our Ref.
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Dear Julian,

RE: Modification Proposal 0154: "Enduring provisions for LDZ system entry points"

Thank you for the opportunity to comment on this proposal. British Gas Trading (BGT) is unable to offer its support.

BGT raised a number of concerns in response to proposal 0105, and indeed directly with Ofgem in its own consultation "*New entry arrangements for connecting to the gas distribution network*" in respect of embedded system entry points. In summary, these concerns centred on:

- Loss of overall visibility and control of system operations (for example impacts upon NTS demand forecasting);
- Scope for anti-competitive or discriminatory behaviour (e.g. where an embedded entry point was owned by the same group of companies as the DN);
- Interaction with any future NTS Exit arrangements that might include a flexibility product;
- The potential for the development of a "two tier" (i.e. DN and NTS) entry regime;
- The competitive or financial advantage that might derive to a GDN from having an embedded entry point attached in respect of use of capacity on a peak day; and
- A smearing of additional costs onto other shippers, especially those operating primarily on the NTS.

The interim provisions, introduced when Ofgem approved modification 0105, have been in place for just less than one year now, which has encompassed one of the mildest winters in recent history. Whilst no market detriment as a result of these proposals may have yet become apparent, we believe that this is mainly due to the very limited extent of uptake and timeframe for these arrangements, i.e. one small entry point, representing a tiny proportion of system throughput.

BGT therefore continues to harbour concerns about the proposed arrangements. For example, we question whether these arrangements would continue to be seen as appropriate and equitable should a facility with a daily deliverability of, say, 100mcm be admitted as an embedded entry point. We believe that those circumstances could have a material impact upon both the operations of the DN in question, and indeed the NTS overall.

Against this background, we are concerned that this proposal contains no backstop facility to restrict the volumes of embedded system entry, or to trigger a review of the prevailing arrangements when a certain threshold of embedded system entry has been reached. Any such threshold should be set with both the DN and the total system in mind. For example, a threshold level at which the DN could gain undue advantage over competing DNs, and for the NTS this should be the level at which DN entry flows could cause the SO to change its behaviour.

We would also be keen to ensure that Ofgem keeps this subject matter under close scrutiny in order to defend against the possibility of discrimination, and to ensure at least some degree of alignment of embedded entry rights and obligations across the industry. This may require changes to documents other than the UNC.

We recognise that BGT might have been in a minority amongst industry stakeholders in putting forward these views in response to 0105 and the associated Ofgem consultation. However, we do not believe that these issues have been fully addressed, and they continue to be of concern. Any perceived lack of support from other parties should not detract from the relevance of these issues. We would therefore strongly encourage Ofgem to give serious consideration to their potential impacts when deciding upon this proposal.

BGT believes that this proposal has the potential to harm the efficient and economic operation of the pipeline system by distorting the System Operator's view of the total system including demand forecasting. This proposal also has the potential to harm competition between relevant shippers, for example by permitting different methodologies for deriving terms and charges for different entry points, some of which may be single shipper sites. We also consider that competition between relevant DNs could be harmed, in particular with respect to the example of a very large (or numerous smaller) entry points within one DN, diluting that DN's requirement to procure NTS flexibility.

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

Yours sincerely,

Chris Wright
Commercial Manager