

Andrew Pearce

Regulatory Advisor
BP Gas Marketing Ltd

BP Gas Marketing Ltd
20 Canada Square
Canary Wharf
London
E14 5NJ
United Kingdom

20 July 2007

Julian Majdanski
Joint Office of Gas Transports
51 Holmer Road
Solihull
B91 3QJ

Reference

Direct: +44 (0)20 7948 4027
Main: +44 (0)20 7948 4000
Mobile: +44 (0)7900 654136
Fax: +44(0)2079487844
Main: +44 (0)20 7948 5000
Andrew.Pearce2@bp.com

Modification 0156 Transfer and Trading of Capacity between ASEPs **Modification 0156A Transfer and Trading of Capacity between ASEPs**

Dear Julian

Thank you for the opportunity to comment on the above Modification Proposals. BP gives support to the implementation of modification Proposal 0156. We are also in support of the implementation of modification proposal 0156A. We are more supportive of modification proposal 0156A. Although offering support for the proposals we would like to make the following comment on the process.

We broadly support the consideration of a capacity transfer mechanism for both unsold and sold capacity, however we do not believe that there has been sufficient time made available to fully consider the likely implications of these Proposals. On the basis of the information available to us we are of the view that these timing issues could have been avoided.

It is clear from the recent Transmission Workstream meetings that there is still significant uncertainty within the industry around the introduction of the suggested auction process and the associated trade mechanism and how they will work in practice.

It is noted that both these modifications propose a solution for this coming winter period only. It should be recognised that any enduring solution to the Trade and Transfer process could look significantly different from the interim solutions being proposed here. We believe that work on a long term solution should start ASAP to avoid the situation that the industry finds itself in now.

BP Gas Marketing Ltd
Registered in England and Wales No. 902982
Registered Office:
Chertsey road
Sunbury on Thames
Middlesex
TW16 7BP

Extent to which the implementation of this modification proposal would better facilitate the Relevant Objectives.

Standard Special Condition A11 Paragraph 1(a)

We agree that this will provide Users at sold out ASEPs the opportunity to seek to procure available capacity from other ASEPs. We also agree that this could result in increased flows from offshore.

Standard Special Condition A11 Paragraph 1(d)

We believe that modification proposal 0156A will better facilitate this licence condition. Holding a two round auction will promote effective competition between Shippers. The two round auction will enable shippers to assess bidding strategies and adjust their behavior accordingly. If this was a one round auction you may see “panic buying” which could lead to inflated prices.

The implications of implementing this modification proposal on security of supply, operation of the total system and industry fragmentation

Both proposals will benefit security of supply by ensuring capacity is available to Users. BP agrees with E.ON that holding a two round auction may see more Users taking part in the process thereby enabling capacity to be obtained by a wider number of Users, this in turn could see a greater diversity of supplies entering the system.

In summary BP is in support of implementation of either modification proposal 0156 or 0156A which we feel will meet the relevant objective. BP's preference would be for the implementation of E.ON's alternative modification proposal 0156A.

We trust that these comments are helpful; please do not hesitate to contact me if you wish to discuss any aspect of them.

Yours sincerely,

Andrew Pearce
Regulatory Affairs