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Our Ref.
Your Ref.

3 August 2007

Dear Julian,

RE: Modification Proposal 0159: "National Grid NTS discretionary release of Interruptible NTS Entry Capacity"

Thank you for the opportunity to comment on this proposal, which British Gas Trading (BGT) supports.

BGT believes that, where National Grid is able to offer interruptible capacity for sale that is additional to the obligated level established by the UNC, it is inefficient for the Code to place a restriction on such additional amounts. We therefore broadly welcome this proposal.

However, whilst repeating our support for this proposal, we do believe that there is also some potential for detriment.

First, this proposal comes with no supporting methodology statement, instead with the release of additional amounts of interruptible being at National Grid's sole discretion. Whilst we understand the need to implement this proposal ahead of winter 2007/08, possibly giving a relatively short period for the development of such, the resulting situation will provide very little certainty around the incremental amounts that are likely to be offered, or the consistency of such offers. A methodology statement would assist in providing certainty and transparency in this respect.

We also believe that there could be scope for some Users to amend their strategy to rely more heavily on interruptible capacity. Whilst such a move would obviously have associated risk for that User, i.e. that the capacity is not available particularly in the light of capacity trades and transfers, any move towards increased use of interruptible at the expense of firm primary capacity could drive an increase in TO capacity charges. These are then recovered from all Users.

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Overall, however, we see this proposal as positive. We agree with the proposer that implementation of this proposal would better facilitate the achievement of a more efficient and economic NTS pipeline system, and also the achievement of more effective competition between shippers.

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

Yours sincerely,

Chris Wright
Commercial Manager