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Our Ref.
Your Ref.

15 January 2008

Dear Julian,

RE: Modification Proposal 0189: "Amendment to the QSEC Auction Timetable"

Thank you for the opportunity to comment on this proposal. British Gas Trading offers qualified support for its implementation.

Centrica originally suggested, with modification proposal 617, that the QSEC auction be moved to September in order to align the release of incremental capacity to the Transco (as was) Formula Year, and to avoid holding auctions during the traditional summer holiday period. This was under a regime where incremental capacity was released three years from the start of the following Capacity Year. Ofgem decided to direct implementation of proposal 617.

Proposal 0189 advocates moving future QSEC auctions to April, against a background of National Grid now having 42 months in which to deliver new incremental capacity that has been signalled in the QSEC process. Part of the rationale for this proposal is that this additional time allowed for the release of capacity would be of more value to National Grid were these to fall within a summer period, rather than winter. It would also mean that new capacity should become available for the first of the winter shoulder months; i.e. October, when it is more likely to be needed, rather than April when it is not.

Whilst British Gas recognises and supports the obvious logic in this proposal, its implementation would also have the consequence of breaking the link between the release of incremental capacity, and Formula Year, created by 617. This would give rise to additional complexity in calculating allowed revenues where potentially significant amounts of capacity are delivered mid way through a Formula Year.

On balance, however, we believe that there is probably more benefit in moving the auction such that greater certainty can be provided around the delivery of incremental capacity, and we therefore support this proposal. We believe that where capacity is delivered on time, competition between shippers, and the efficiency of the total system, is likely to be enhanced. We also believe that timely delivery of capacity will benefit security of supply.

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

Yours sincerely,

Chris Wright
Commercial Manager