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Our Ref.
Your Ref.

14 April 2008

Dear Julian,

RE: Modification Proposal 0196: "Alterations to shipper penalties for end user failure to interrupt"

Thank you for the opportunity to comment on this proposal. British Gas does not support the implementation of this proposal.

There are a number of instances throughout the UNC where incentives are used to drive appropriate shipper behaviour. Inevitably, there will be some who believe that a particular incentive is appropriate, whilst others will argue that the consequences of non-compliance are unduly penal. Ultimately, the arrangements that make their way into the UNC must strike an appropriate balance between these two viewpoints, and inevitably there is likely to be a degree of arbitrariness about the final outcome.

In relation to 0196, British Gas believes that sufficient safeguards exist such that the "5 strikes rule" is only likely to apply in cases where a shipper has been deficient and not followed best practice in attempting to effect isolation of a supply point(s). We also believe that the consequences set out in the UNC are appropriate to the seriousness of a failure to interrupt (FTI).

Whilst we have some sympathy with the proposer's difficulties in respect of demonstrating "*reasonable steps to comply with the requirement to interrupt*", it is our view that the "5 strikes" rule has been around long enough for a reasonable degree of best practice to have evolved. We also consider that transporters are likely to be open minded to discussions around what would be accepted as evidence that reasonable steps have been taken.

Overall, British Gas is concerned about the potential consequences of lowering the incentive on shippers in this area.

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We believe there is a very tentative argument that removing this rule would better facilitate competition (we assume that the proposer refers here to competition between relevant shippers), by allowing a shipper to continue as a player in a market segment (the interruptible market) where they would otherwise be a firm-only shipper. However, we disagree with the proposer in that we believe there could be significant potential detriment to security of supply and the overall system from a weakening of the incentives around FTI. We also do not believe that compliance with the current arrangements are unduly onerous or the consequences of non-compliance penal.

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

Yours sincerely,

Chris Wright
Commercial Manager