



Mr. Julian Majdanski
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Our Ref.
Your Ref.

14 April 2008

Dear Julian,

RE: Modification Proposal 0204: "Amendment to the calculation of WCF"

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

This proposal has been developed from discussions within Review Group 0176 and the Demand Estimation Sub Committee. These discussions have centered around the potential for the current NDM profile allocation parameters to increase the misallocation of energy between market sectors. Clearly, where this happens cross subsidies will occur between those market sectors to the detriment of the shippers and suppliers active within them.

Having taken part in the discussions on this subject, we are satisfied that this proposal will assist in targeting energy misallocation, and reducing the associated cost cross subsidies, by implementing a more accurate mechanism. Further, in addition to the evidence presented at the various discussions, having undertaken some internal analysis of our own using both the current and the proposed mechanism, we have determined that the proposed route leads to a scaling factor which is much closer to 1 than is possible at present. The new methodology therefore does look to remove the bias in the scaling factor.

We strongly agree with the proposer that the relevant objective to benefit most from this proposal will be A11.1(d) – the securing of effective competition between relevant shippers and suppliers by virtue of more accurate allocation of energy between market sectors and the various players active within those sectors, with less reliance upon inaccurate reconciliation.

We also believe that a better understanding of energy flows and usage across a pipeline system could lead to greater efficiency and economic operation of that system.

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

Yours sincerely,

Chris Wright
Commercial Manager