



Mr. John Bradley  
UNC Panel Secretary  
Joint Office of Gas Transporters  
1<sup>st</sup> Floor South  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT

Centrica Energy

Millstream East  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

Tel. (01753) 431059  
Fax (01753) 431150

Our Ref.  
Your Ref.

8 December 2008

Dear John,

RE: Modification Proposal 0219 "Publication of UK Wholesale Gas Market Liquidity Data"

Thank you for the opportunity to comment on this proposal. On balance, British Gas supports its implementation.

This proposal has been subject to a surprising degree of industry development and debate.

We recognise that a significant stimulus for this Proposal is the recent focus on the extent of liquidity in the gas wholesale market. There is a perception in some quarters that some industry commentators may misunderstand the extent to which gas is traded, or may have presented data which is misrepresentative of the actual traded position. This proposal seeks to address this issue by requiring the publication of a definitive, consolidated report, on a daily basis, showing relevant gas trading data.

We recognise that market liquidity data already exists within publicly accessible web sites. However, retrieval requires a degree of manipulation which may deter some parties from accessing it, causing them instead to rely on possibly less robust sources of data.

We also recognise the arguments put forward in respect of this proposal not according with the approach to data access put forward by Review Group 0140. That Group did extensive work to rationalise the number of reports that National Grid was required to publish. It was also recognised that new processes would allow interested parties to seek out and tailor data extracts based on their own specific needs. Whilst we fully agree that this approach to data access is appropriate, and has realised efficiencies through removing largely superfluous reports, we were never under the impression that the Review Group 0140 findings sought to prevent the publication of any new reports, should the need arise.

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We are therefore faced with having to decide whether this proposal to publish robust market liquidity data in report form is a genuine need that cannot reasonably be satisfied through other means, and whether it represents value for money. On balance, we believe that this is an appropriate Proposal, on the assumption that the report to be produced becomes a recognised, industry standard reference for market liquidity, and is perceived as the definitive source for such. On this last point, only time will tell.

We believe that improved market liquidity data should better facilitate competition between relevant shippers by providing an informed position as to the volumes of gas available for purchase on a daily basis. Also, whilst not a relevant objective, we believe that the publication of this data will help prevent unnecessary future criticisms of industry participant behaviour, and demonstrate a co-operative industry response to recent criticisms.

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

Yours sincerely,

Chris Wright  
Commercial Manager