

Mr. John Bradley
UNC Panel Secretary
Joint Office of Gas Transporters
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31 Homer Road
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B91 3LT

11 January 2010

Dear John,

RE: Modification proposal 0276: Alternative User Pays Approach to - UNC Modification Proposal 0263 - Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity

Thank you for the opportunity to respond to this consultation. British Gas Trading (BGT) does not support its implementation.

BGT is the proposer of 0263 "*Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity*", which is currently with Ofgem for a decision on implementation. 0263 was formally raised on 10 July 2009 (although was informally shared with National Grid some time prior to that) in response to what BGT regards as a deficiency in the prevailing NTS Exit arrangements.

Fundamentally, we understand that there is only one difference between 0263 and 0276 – this being the funding arrangements under the "User Pays" regime; this was confirmed by the proposer of 0276 at the December Modification Panel meeting. BGT's view, as espoused in 0263, is that National Grid retains an obligation to implement an efficient and satisfactory NTS Exit regime, for which funding has already been allowed as part of the Distribution Network sales process. We believe that the inability of shippers to be able to assign firm exit capacity in amounts of less than their full holding at any exit point is neither an efficient nor a satisfactory element of the prevailing regime, and needs to be amended.

In addition to this fundamental difference, 0276 adds further detail around the inability of any User to assign capacity that is subject to a demonstration date. BGT does not regard this as a difference between the two proposals, but rather additional wording which may aid clarity "for the avoidance of doubt". To be clear, both proposals only permit the assignment of capacity that is Registered NTS Firm Exit Capacity; capacity that is subject to a demonstration date is not Registered NTS Firm Exit Capacity and therefore is excluded from consideration under both proposals.

BGT was closely involved in the development of both the 0116 etc series of modification proposals, and more latterly the 0195 proposals. Our recollection of the development processes is that a number of points were identified as being potentially problematic and possibly subject to future revision once a “vanilla” regime was implemented. We recall that the ability to assign partial holdings of capacity was one such item. However, the pragmatic answer adopted at the time was to proceed with a basic but workable solution in order to meet Exit Reform deadlines.

We are surprised at the costs quoted for implementing this change, but are not in a position to challenge whether the proposed solution is either necessary or efficient. Either way, we do not believe that the stated cost of implementation should detract from a decision about whether the prevailing regime is satisfactory and efficient as was, we believe, implicit to the terms of the DN sales process, and the funding arrangements there under.

We also question the fairness of the cost recovery arrangements proposed by 0276. The benefits delivered by this proposal (a) may not apply immediately, or indeed ever, to current holders of Firm Exit capacity, or (b) may apply in future to shippers who currently don't hold any Firm Exit capacity (and therefore will not pay towards implementation). While we believe this is a serious point, we do also recognise that it is not confined solely to this proposal but is more of an issue for the development of the “User Pays” regime.

Please contact me if you would like to discuss this response.

Yours sincerely,

Chris Wright
Commercial Manager