

Mr. Bob Fletcher
UNC Panel Secretary
Joint Office of Gas Transporters
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31 Homer Road
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13 April 2010

Dear Bob,

RE: Modification proposal 0287: Change System Capacity Transfers Notification Time Limit from 04:00 hours to 03:00 hours

Thank you for the opportunity to respond to this consultation. On balance, British Gas Trading (BGT) is neutral to the implementation of the core proposal. However, we do not believe it better facilitates many (or indeed any) of the claimed relevant objectives, and we also believe that the cost recovery mechanism proposed under the user pays regime is inappropriate.

The bringing forward of the latest capacity transfer notification time, as proposed, will give Users one hour less per gas day in which to transfer capacity between themselves. This reduction in flexibility to utilise capacity is likely to result in potential transferor Users having to hold and pay for capacity which they no longer require, while potential transferee Users will have to apply for primary capacity in order to meet their capacity requirements. This situation would tend to suggest reduced efficiency in the capacity regime.

We therefore see this proposal as being one that would allow National Grid greater certainty in complying with the relevant section of the UNC, where it currently may not be able to do so in all circumstances, at the expense of User flexibility and the efficient use of capacity.

Alongside this, however, must be weighed the fact that, according to National Grid figures, very little use is made of the capacity transfer service between the hours of 03:00 and 04:00. We also understand that the most obvious alternative to ensuring National Grid's compliance with the current UNC terms – the pushing back of UK Link down time to later in the gas day – is likely to be prohibitively expensive and disruptive for both National Grid and Users. It would therefore appear that, from a pragmatic point of view and in the absence of any alternative solutions, this proposal should be implemented thereby delivering a further reduction in National Grid's contractual risk.

We must take issue with the proposed cost recovery methodology under the user pays regime. Notwithstanding the estimated zero cost of implementation, it is important that this aspect of the proposal is appropriate since the zero cost outcome is not guaranteed, and Users face risk and uncertainty over the outturn cost being more than zero.

First, we struggle to see any User benefit in this proposal. While it may be argued that allowing National Grid a full 60 minutes to assess and approve the last capacity transfer request will provide Users with a safeguard against transferring volumes of capacity that they do not have, any User wishing to avail themselves of such a safeguard at present can simply ensure that they submit transfer requests at 03:00 at the latest. For those who are confident in the transfer volumes, a later time without National Grid verification provides more flexibility. We therefore question why User should be targeted with any of the implementation costs, or risk of costs.

Second, even assuming that it is appropriate for Users to face the cost risk of a 10% allocation, it seems inequitable to target this only at Users who hold Exit capacity, since the “benefits” of reducing the window for capacity transfers applies to both entry and exit capacity.

Thirdly, the “benefits” of this proposal will be enjoyed by all Entry and Exit capacity transferors and transferees who avail themselves of, and enjoy, this reduced transfer window post implementation. It therefore does not seem appropriate to apportion costs based on a snapshot of only Exit capacity holdings at a particular point in time.

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

Yours sincerely,

Chris Wright
Commercial Manager