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**Subject:** **Draft Modification Report 0315**  
**Date:** 6 August 2010 15:49:04 GMT+01:00  
**To:** <enquiries@gasgovernance.co.uk>  
**Cc:** "Chris Trigg" <chris.trigg@sparkenergy.co.uk>

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I would like to add the comments of Spark Energy to the draft modification report 0315.

Spark Gas Shipping is now entering into forward contracts to cover its gas demand. It is therefore unlikely that these new proposals will affect us as we are aiming to minimise our imbalance. However, having read the proposals it is clear that we would have been significantly affected by the new rules if these had been in operation before now and I would like to make the following comments:

1. As a small supplier and a new entrant into the energy supply market Spark Energy does not have access to Parent Company Guarantees or Letters of Credit. Large suppliers do have access to these forms of security and Spark is therefore at an immediate competitive disadvantage as all our security requirements must be covered by cash.
2. Restricted cashflow is probably the most important factor affecting the success or otherwise of a new company. Having cash tied up in security cover has meant that we have less cash to allocate to other issues which could improve the efficiency, stability and growth of the business. For example, we had to delay our forward contracting for 15 months as we did not have cash to put down as collateral with other trading parties. This caused a vicious circle in that we were wanting to minimise our imbalance and therefore our security cover with Xoserve, but couldn't do so as our security cover with Xoserve left us no cash to do so.
3. The new rules state that any extra security required after a third Further Security Request must be held by Xoserve for a minimum of 12 months. In Spark's case, we significantly reduced our indebtedness in the space of two months at the point we started contracting forward. It seems grossly unfair that Xoserve would have retained a large amount of Spark's cash for a further year when our future imbalance indebtedness bore no resemblance to our past indebtedness.
4. The provision of cash as security imposes an extra cost on small suppliers which is not able to be passed through to customers.

Thank you for allowing us the opportunity to respond to these proposals.

best regards

Helen Hill

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