

Mr. Bob Fletcher  
UNC Panel Secretary  
Joint Office of Gas Transporters  
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West Midlands  
B91 3LT

26 August 2010

Dear Bob,

**RE: Modification proposal 0315: To Enhance Section X of the UNC Transportation Principal Document to improve the Energy Balancing Further Security Process**

Thank you for the opportunity to respond to this consultation. British Gas Trading (BGT) supports its implementation.

As with many aspects of the energy balancing credit regime, a balance has to be struck between the needs of smaller players and new entrants in the market who may have difficulties in accessing cash and security tools to cover their activities, and the extent to which it is acceptable to expose the balance of the shipping community (and ultimately end consumers) to financial risk in the event of a business failure.

BGT is grateful to the EBCC for its work in analysing shipper behaviour in respect of Further Security Requests, and in identifying genuine examples of weaknesses in the current arrangements which mean that the risk faced by shippers have on occasion exceeded the level intended when prevailing arrangements were implemented. BGT therefore agrees with the views of the EBCC that steps have to be taken to prevent excessive transfer of risk on to shippers and end consumers, and agrees that modification proposal 0315 represents a helpful safeguard.

0315 is measured in its approach. It places an incentive upon shippers to remain cognisant of their energy balancing securitisation levels relative to their day to day energy trading position; to anticipate reasonable longer term securitisation requirements; and to top up and maintain their securitisation at the required level. In doing so, implementation of 0315 will help to prevent behaviours which, as far as we are aware, were unintended when the current rules were implemented, and thereby help to limit the exposure of the shipping community in the event of a shipping business failing.

By requiring the appropriate level of securitisation to be in place in the longer term, this proposal reinforces the established "polluter pays" principle in relation to energy balancing. This directly affects

competition between shippers, in that it will limit the likelihood of larger unsecured energy balancing debt smears in the event of a shipper business failing. It should also be remembered that the same smaller players who may struggle to produce acceptable security will themselves be subject their share of an energy balancing smear in the event of a shipper failure, and this, if extensive, could destabilise or even jeopardise their business.

We also believe that by better incentivising code parties to more closely monitor and maintain appropriate securitisation levels, this proposal will reduce the number of actions that National Grid and/or the Energy Balancing Credit Committee have to take, thereby better facilitating efficiency in the administration of the network code.

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

Yours sincerely,

Chris Wright  
**Commercial Manager**