

Mr. Bob Fletcher
UNC Panel Secretary
Joint Office of Gas Transporters
1st Floor South
31 Homer Road
Solihull
West Midlands
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11 March 2011

Dear Bob,

RE: Modification proposal 0350: Combining the NTS Entry capacity and exit capacity credit checks

Thank you for the opportunity to respond to this consultation. British Gas Trading (BGT) offers support for the implementation of this proposal.

A key feature of this proposal is that it seeks to tackle a weakness in the current arrangements whereby a User is able defer their take up of entry capacity for which they have bid, at the expense of other Users. This is a very real issue and one which, without further intervention, is set to cost the shipping community, and therefore customers, millions of pounds.

We have for some time argued that the current arrangements are flawed in this respect. Not only do they provide an option for (primarily) single entry point Users to abdicate their financial responsibilities for entry capacity purchased, but they also provide a somewhat perverse incentive towards speculative auction bidding. As yet, there is no proven means of unravelling such a position (although we remain hopeful that the recently re-introduced shipper Income Adjusting Event rights may offer an adequate ex post solution).

Combining entry and exit capacity credit checks would seem to us to provide a neat, effective and lower-than-prevailing cost solution. We do not believe that this proposal will completely eradicate the possibility of entry or exit capacity obligations not being honoured by shippers, but consider that it is a helpful and hopefully effective deterrent.

In terms of relevant objectives, the greatest beneficiary is most likely to be competition between shippers. This results from strengthening the applicable sanctions in the event that credit requirements are not met; this is likely to drive less inappropriate bidding behaviour and fewer instances of capacity deferral. Where this happens, other shippers are faced with the costs of increased commodity charges. Uncertainty around commodity charges may act as a barrier to market entry.

National Grid has also reported that a single credit process spanning entry and exit capacity products is likely to lead to an overall reduction in its credit administration costs. This would appear to better facilitate the efficient administration of the UNC.

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

Yours sincerely,

Chris Wright
Commercial Manager