

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

12 August 2011

Dear Bob,

RE: Modification proposal 0352: Introduction of an Interruptible Reverse Flow service at Moffat Interconnector

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

We recognise the case put forward by the proposer that this modification will enhance market integration and facilitate liquidity in the wholesale traded market, and broadly agree with these assertions. However, we are also mindful that this proposal has been instigated by developments in European legislation rather than in response to shipper-driven market requirements. We are therefore unable to assess the extent to which any new interruptible reverse flow service will be utilised, and hence the extent to which the cited relevant objectives might be met.

We do not agree with the proposer that this modification will better facilitate relevant objective (b) – coordinated and efficient operation of pipeline systems, since we do not believe that transmission system operators to, and in, Northern Ireland and Eire are Relevant Gas Transporters for the purposes of assessing this proposal. Rather, we understand that this term only applies to transporters in the GB market.

Instead we consider that the most relevant objective facilitated is (d), the securing of effective competition between shippers, and we agree that when assessed against this objective, this proposal could be expected to be somewhat beneficial.

Against this, however, there will be an element of increased risk to existing NTS offtake arrangements. Under this proposal, existing NTS exit capacity holders who may have no interest in reverse flow arrangements, will become exposed to energy allocation errors which are not possible under prevailing arrangements.

This proposal also exposes a weakness in the UNC entry capacity overrun regime when applied to an arrangement such as that proposed by 0352. This proposal involves the sale of interruptible entry capacity to be offered at zero reserve price, and we believe it is reasonable to assume that capacity prices will never go above zero. Therefore, the application of any price multiplier as set out in the UNC for establishing overrun charges will still result in a zero charge. We consider that this weakens the incentive on shippers to book entry capacity, and to flow gas only up to the level of their capacity holding. It would be helpful if this proposal sought to describe how overruns would be treated in this context, and/or to address this deficiency which would occur as a result of its implementation.

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

Yours sincerely,

Chris Wright
Commercial Manager