

Mr Bob Fletcher  
Secretary, Modification Panel  
Joint Office of Gas Transporters  
51 Homer Road  
Solihull  
B91 3LT

12<sup>th</sup> August 2011

Dear Bob

**RE: UNC Modification 0374 – “*Interruptible to Firm – Supply Point Transition*”.**

1. British Gas does not support the implementation of Modification 0374 and believes that it may impact on the accuracy of data the Network Owners hold on customers’ capacity requirements. We also believe that there are more effective alternatives to this Modification which do not have this negative impact, not least the proactive engagement by Shippers in the Interruptible to Firm process with a view to establishing accurate capacity requirements ahead of the transition.
2. We consider that were Shippers able to avoid the ratchet charges associated with an inaccurate System Offtake Quantity (SOQ), the existing incentives on them, and by extension the customer, to ensure capacity requirements are properly maintained will be reduced. This in turn may lead to less accurate SOQs and therefore less reliable information about where system capacity is needed.
3. We note that Shippers can avoid the risk of these charges materialising by proactively managing the transition from Interruptible to Firm with both their customer and the Network Owner. Indeed, we welcome the significant steps taken by the Network Owners in recent months to assist Shippers throughout this transition, not least through the workshops they have held.
4. This assistance, along with the lengthy period of notice which Shippers have had in order to enact this transition, lead us to conclude that this solution is not needed, and that the benefits it assumes to provide may be delivered in ways which do not risk reducing or removing important market incentives.

5. We do not believe this proposal facilitates any of the Relevant Objectives, but note that the Proposer considers that it may facilitate Relevant Objective (c). Our comments against that are provided below.

***c) Efficient discharge of the licensee's obligations.***

6. We are not aware of any obligation Network Owners have to provide “*soft landings*”<sup>1</sup> for non-domestic customers making this transition. Whilst we appreciate the potential financial benefit this Modification may provide current Interruptible customers and their Shippers, we do not agree that this benefit is necessarily warranted, and instead believe Shippers should focus on ensuring that customer’s stated SOQ values are as accurate as possible as a way of mitigating any potential ratchet charge. To this extent we believe that this Modification Proposal does not facilitate relevant objective (c).
7. If you have any queries relating to this representation, please do not hesitate to telephone me on (07789) 570501.

Yours sincerely

David Watson  
Regulatory Manager, British Gas

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<sup>1</sup> Page seven of the Draft Modification Report.