

Lesley Ramsey
National Grid
Transmission Commercial
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

30 November 2010

Dear Lesley,

RE – Formal Consultation on The Exit Capacity Substitution Methodology Statement

British Gas Trading is pleased to provide this response to the consultation. This response is on behalf of the Centrica Group of companies excluding Centrica Storage.

In our response (dated 4th August 2010) to the earlier informal consultation on this subject we provided a number of detailed comments and, subject to the additional comments made below, we maintain the views expressed therein.

We therefore restrict our response to this formal consultation to the new issues raised by National Grid:

Capacity Release Date With Substitution

Of the two options presented we prefer the second – substitution to apply from any date. Whilst we recognise that a User relying on off-peak capacity at a Donor Exit Point may, as a consequence, see its risk of securing firm capacity in a timely manner increased this should not deflect from valid applications for firm capacity elsewhere. Reliance on off-peak capacity already carries risk and Users utilising such capacity will seek to avoid paying for the capacity. On the other hand, a User applying for firm capacity via an Ad Hoc application (or a non-User applying via the ARCA process) will be demonstrating a greater commitment to utilising the capacity via the 4-year User Commitment.

We believe that new projects, or enhancement to existing ones, should not be subject to potential delays by restricting substitution as described in the first option (“Substitution to apply from Y+4”).

The principle of User Commitment is central to the argument and underpins National Grid’s investment decisions – if Users want certainty then they apply for firm capacity and this, in our opinion, should be made available as soon as reasonably practicable.

It would be helpful for National Grid to clarify the point in time at which exit baselines will change following a substitution. Our understanding is that the baselines for the donor and recipient exit points will change from the day on which the substitution takes effect, not from the date on which the substitution is agreed/ confirmed with the Authority. For example, if substitution is agreed in year Y to take effect on 1 October year Y+4 then the baselines will be revised to reflect this on and from 1

October year Y+4. This will help Users to identify where any annual or daily exit capacity products will be available and from when.

Treatment of Interconnectors

We agree with National Grid's proposal to treat interconnectors the same as other exit points for the purpose of substitution. Naturally, if legislation requires a different treatment, then this will have to be reviewed and re-consulted on. It would be helpful for National Grid to re-assess and report on the risk of substitution at interconnector exit points following the July 2011 capacity reduction window.

Exchange Rate Collar

We support the exclusion of an exchange rate collar from the methodology. We believe that this will allow for more efficient capacity substitution.

Partial Substitution

We have not been persuaded to change our view that Partial Substitution should be used where this results in the most efficient solution. We therefore support the inclusion of Partial Substitution in the methodology.

Capacity Available for Sale

We recognise and understand the dilemma expressed by National Grid. We continue to believe that a first-come, first-served rationale should apply so that capacity identified as potentially substitutable would not be made available for any ad hoc applications made in the October to December window. National Grid's proposal to deviate from this if there exists some form of financial commitment (e.g. for Siteworks) is not transparent although the important qualifications made in paragraph 19k of the re-drafted Methodology Statement, i.e. that the financial commitment would need to be in respect of the provision of incremental capacity or a new connection should be a requirement if National Grid's proposed approach is implemented.

There might be some benefit in reviewing how Siteworks and capacity management can be better aligned (or provided through a bundled product) since there would be little point in an applicant paying for and working towards a connection or system reinforcement when the capacity is not then made available to him due to commercial rules.

Yours sincerely,

Graham Jack
Commercial Manager