

FINAL



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Our Ref.  
Your Ref.

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Dear Jan,

**RE- GCM06: "Baseline NTS Entry Capacity Charging"**

Thank you for the opportunity to comment on this proposal.

British Gas Trading does not support the methodology change and has a number of concerns about the proposal. Capacity prices must be stable, predictable and transparent and the effect of this proposal would be to add to the risks and uncertainties for upstream investment decisions and planning downstream business activity. Annual moves in prices may lead to short term gaming with attempts to book capacity at times of lowest prices.

Including spare capacity makes the model less user friendly, as it will rely on subjective forecasts of supply. At beach entry points an estimate of winter peak supply is required. Scenarios are then created with storage and imports (including LNG) below maximum in order to balance peak supply and demand. A single scenario would be insufficient to ensure that the results are non-discriminatory and avoid cross-subsidies. The model has to be run a number of times with different supply scenarios and there are issues with how this can be done without creating a 'black box' which is neither predictable nor transparent. Annual review and re-calculation is required or else it is pointless including spare capacity.

The advantage of the status quo (i.e. not including spare capacity) is that charges only need re-calculation within a price control period if substitution takes place as an outcome of LTSEC auctions. A better solution is for capacity transfer between terminals in line with long term demand. BGT therefore does not support the proposed change in methodology.

Yours sincerely,

Clive Woodland  
Planning & Analysis Manager

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