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Transmission Price Control Review Initial Proposals Consultation

Dear Robert

Thank you for the opportunity to comment on the above consultation. Our response is not confidential and may therefore be placed in your library and on your website. We are responding to this consultation as a Producer and a Shipper.

In this response BP has chosen to provide views on specific areas of the initial proposals namely chapter 11 and appendix 12 with the emphasis on entry capacity

Question 11.1 : What do you think of our revised proposals for setting entry capacity release obligation baseline, and for the proposed mechanisms for enable such baselines to be re-allocated in some circumstances?

We welcome the decision by Ofgem to retain the concept of baseline capacity release obligations defined for each entry point.

Whilst we agree in principle with the concept of allocating capacity between different points on the network to optimise existing capacity and to alleviate the necessity of National Grid Gas NTS undertaking incremental investment, we do not see how this can be effectively achieved through the long term entry auctions. These auctions are designed to send out investment signals at specific entry points for the long term.

We believe that a more logical approach would be to wait until after the long term auctions had taken place. After the outcome of the auction were known National Grid Gas NTS would be able to see at which entry point's capacity could be reasonably substituted. At this point National Grid Gas NTS could publish exchange rates for substitution and hold a second auction. Shippers bidding in this

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second auction would all be aware that the purpose of the auction was to transfer available capacity between entry points, and hence would be bidding for that right. This would create a level playing field for all shippers which would not be the case if bids for substitution were included in the long term auctions.

Question 11.2: Are our proposals for revenue drivers for entry and offtake appropriate and proportionate, given the issues they are seeking to address?

BP is in agreement with Ofgem that National Grid Gas NTS should receive appropriate remuneration where there is demand for additional capacity over and above baseline levels.

In appendix 12 - Impact Assessment Gas Entry, Ofgem say that National Grid Gas NTS will have to undertake all reasonable capacity substitutions before receiving incremental revenues from its revenue driver. We would be interested to understand the methodology that will be used to determine what the grounds for a reasonable capacity substitution are.

Question 11.3: Are our proposals for buy-back for entry and offtake appropriate and proportionate, given the issues they are seeking to address?

BP agrees that the buy-back arrangements should be modified to separate incremental investment buyback incentives and operational buyback incentives. We are in agreement with Ofgem that the cap and collar should be increased.

However BP believes that it would be beneficial to the efficiency of the regime if National Grid Gas NTS were to be exposed to a greater incentive to avoid delay in delivering physical capacity. Furthermore it would seem inefficient for shippers to be detrimentally impacted by a National Grid Gas NTS failure to deliver physical capacity in a timely manner, over which the shipper has no control.

BP is supportive of stronger incentives being placed on National Grid Gas NTS to deliver any reinforcement required to provide an appropriate levels of physical capacity. Such a change would we believe be beneficial to UK security of supply as it would increase the probability of physical capacity being delivered in a timely manner.

It is concerning that the initial proposals do not contain all the analysis that Ofgem would have liked because of late delivery of the data.

We note that some of the proposals within the document are still at a very high level of detail. The planned publication of detailed information in September gives the industry very little opportunity to comment as the September document represents the final consultation, with final proposals published in December. It is our view that a greater amount of time for the industry to understand and comment on this detail would be beneficial.

We trust that the above comments will be of assistance. Please do not hesitate to contact me should you wish to discuss the contents of this letter further.

Yours sincerely,

Andrew Pearce
Regulatory Affairs