Proposer

British Gas Trading Limited (BGT)

Proposer’s Representative

Keith Sanderson

Date

October 2002

Proposed Implementation Date

1st December 2002

Proposal

(a) Description of the nature and purpose of the Modification

Balancing Charges for imbalances in excess of a Shipper’s Exit Point Tolerance are currently calculated by applying a factor of either 0.5 or 2.0 times the Daily Gas price depending on whether the imbalance is positive or negative.

BGT considers this to be unreasonable and unduly penal and as a result proposes that Balancing Charge above the allowable Exit Point Tolerance should be calculated using less penal factors. Acknowledging that an imbalance has the potential to cause an operator more difficulty in winter months BGT has proposed that the factors be adjusted depending on whether the imbalance occurs in a winter, shoulder or summer month.

<table>
<thead>
<tr>
<th>Month</th>
<th>Positive Balance</th>
<th>Negative balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan, Feb, Mar, Dec</td>
<td>0.70</td>
<td>1.30</td>
</tr>
<tr>
<td>Apr, May, Oct, Nov</td>
<td>0.80</td>
<td>1.20</td>
</tr>
<tr>
<td>Jun, Jul, Aug, Sep</td>
<td>0.90</td>
<td>1.10</td>
</tr>
</tbody>
</table>

BGT therefore proposes that the factors of 2.0 and 0.5 be changed to 1.30 & 0.70 for winter months, 1.20 & 0.80 for shoulder months and 1.10 & 0.90 for summer months.

(b) Improvements

These changes will mean that shippers are not exposed to an unduly penal regime and that they maintain sufficient incentives to balance their inputs and outputs (over and above those already contained within PTL Code).

The modification also recognises seasonal effects of taking actions to correct imbalances and places a stronger incentive on shippers to balance during periods of historically high demand.

(c) Sections of the code requiring amendment

The only sections of the code requiring change are 4.3.1 and 4.3.2.