



25 May 2007

Julian Majdanski
Joint Office of Gas Transporters
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Dear Julian

**BG Gas Services Limited Response to Code Modification Proposal 150a "
Introduction of Unsold Entry Capacity Transfers."**

BG Gas Services Limited ("BG") is only able to offer partial qualified support to this proposal. This is on the basis that it is more likely to lead to transfer of capacity than the alternative National Grid ("NG") Modification Proposal 150. However BG has concerns about the wider implications of Modification Proposal 150a for the entry capacity regime.

BG does not support NG Proposal 150 because the success of the initiative is wholly dependent on the exchange rates ("Transfer Rates") used for the transfer of capacity. BG has serious concerns as to how these will be calculated, and therefore the quantity of capacity that will be transferred in practice. Proposal 150a has the advantage that it gives greater certainty as to the Transfer Rates that will be used, and this is the basis for BG's qualified support. Using the Transfer Rates of 1:1 within a zone is more likely to lead to trade of capacity and therefore more likely to meet the relevant objectives.

However the Proposal implies a radical change to the current entry capacity regime with possible consequent impacts on shippers' bidding behaviour in auctions, as well as potential implications for buybacks. Modification Proposals 150a and 151a change the way capacity is allocated by NG in the shorter term auctions. This is necessary if the Proposals are to achieve their aim of facilitating transfer and trade of capacity. In particular BG is concerned at the proposed changes to the 2007 AMSEC auctions at such short notice. It is unfortunate that this is being done via the Urgent Modification Process rather than as a result of full consideration via the Transmission Workstream. Shippers are therefore faced with an iniquitous choice between Proposals which are unlikely to work in practice (Proposals 150 and 151) and those which require significant change to the capacity allocation regime (Proposals 150a and 151a). It does not reflect well on the industry that yet again changes to the entry capacity regime are being considered in a rush and after the new Price Control is meant to have come into effect.

Yours sincerely,

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