



20 November 2006

Julian Majdanski
Joint Office of Gas Transporters
51 Homer Road
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Dear Julian

BG Gas Services Limited Response to Code Modification Proposal 120: "Introduction of an SO Commodity Charge for NTS Storage Exit Flows."

BG Gas Services Limited does not support Modification Proposal 120 as it does not meet the relevant objectives.

The effect of the Proposal, combined with the existing Code which allows for an SO Commodity Charge in respect of Storage Entry Flows, would mean that Users of Storage would be charged according to their nominations. This would not be cost reflective as it would not take into account any netting off between injection and withdrawal nominations, and would therefore not be based on physical flows. Charges to Users would therefore not reflect actual costs incurred by the system.

It is therefore not clear how the Proposal would either promote efficient and economic operation of the system, or facilitate the efficient discharge of the licensee's obligations under the license. Furthermore, because the charges to Users would not be reflective of actual costs incurred in the operation of the system, it is possible that Users could be needlessly disincentivised from using storage because of the additional costs, thereby weakening economic incentives on Users with regards to security of supply.

Yours sincerely,

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