



22 December 2006

Julian Majdanski
Joint Office of Gas Transporters
51 Homer Road
Solihull
B91 3QJ

Dear Julian

BG Gas Services Limited Response to Code Modification Proposal 128 "Amendment to Entry Capacity Baselines.

BG Gas Services Limited is concerned at the impact of the proposed changes to baselines at Teesside. Whilst we understand the rationale behind the Modification Proposal, the reduction in available capacity in the AMSEC auction is significant i.e. a reduction from 761 GWhd to 361 GWhd.

In Ofgem's Updated Proposals the baseline capacity proposed for Teesside was 684 GWhd for 2008/9 which appeared a reasonable level. According to Ofgem the figures for 2006/7 would be calculated by subtracting from the 2008/9 figures any incremental capacity. However the difference between the figure of 361 GWhd in the Modification Proposal and the Updated proposals figure seems very large. BG would welcome clarification as to how the 361 GWhd figure was calculated. BG also notes that, according to our analysis, flows at Teesside have exceeded the propose new baseline on a number of occasions. It is perverse that the new baselines will be below the level of capacity bought in previous auctions whether on a long or short term basis, and below the level of gas flows in the past. This issue is of additional concern given the additional volumes that may be expected to flow from the new Excelerate LNG project.

Yours sincerely,

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