



11 February 2008

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

Dear Julian

**BG Gas Services Limited Response to Code Modification Proposal 187 and 187a
"Alterations to the RMSEC auction to accommodate Transfers and Trades of capacity
between ASEPS."**

BG Gas Services Limited ("BG") supports, on balance, the implementation of Modification Proposal 187.

BG believes that both Proposals further the relevant objectives by enabling the trade and transfer of capacity between ASEPs. Our main concern remains the calculation of the exchange rates, and that National Grid ("NG") may not facilitate the transfer or trade of as much capacity as it can because of fears about a "material increase" in costs. For further comments on this please see our responses to the consultation on NG's Entry Capacity Transfer and Trade Methodology Statement (8th February 2008).

Although ex ante exchange rates give greater certainty to shippers bidding in the Transfer & Trade process, there is a case that such an approach does not lead to optimal allocation of capacity. Based on the NG's analysis of the interim Trade and Transfer process, that there would have been greater transfer of capacity to Easington if ex post exchange rates had been used, we believe that ex post exchange rates are appropriate, so long as there is suitable scrutiny of NG's exchange rate calculations to ensure the maximum quantity of capacity is being made available to shippers.

The advantages, common to both Proposals 187 and 187a, are that they allows shippers the opportunity to acquire capacity at an ASEP prior to any transfer and trade process. By incorporating this into the RMSEC auctions it enables shippers to optimise their capacity bookings nearer to the time they expect to use the capacity. This is a major advantage over the interim procedure which required shippers to take a view several months ahead.

Both Proposals 187 and 187a have advantages and disadvantages when it comes to the pricing and allocation of bids. On balance however we prefer Proposal 187 because it allocates surrendered capacity first. This will enable any unallocated unsold capacity to be sold via the daily auctions for capacity; under Proposal 187a there is a possibility that surrendered capacity would go unallocated and could potentially be "lost" as the only way to use such capacity would be on an interruptible basis or if sold on a bilateral basis.

BG Gas Services Limited
Thames Valley Park
Reading Berkshire
RG6 1PT UK
www.bg-group.com

Tel 0118 929 3442
Fax 0118 929 3273
alex.barnes@bg-group.com

Should you have any queries please do not hesitate to contact me at the address above.

Yours sincerely,

Alex Barnes
Commercial and Regulation Manager
Europe Downstream