



21 November 2007

Eddie Blackburn
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CV34 6DA

Dear Eddie

BG Gas Services Limited Response to NTS Consultation GCM 09 "TO Over-recovery Mechanism"

BG Gas Services Limited ("BG") welcomes the opportunity to comment on the proposals for changes to the charging methodology with regards to TO Over-recovery.

BG supports GCM 10 on the basis that it enables refund of TO Over-recovery in the event that GCM 09 proves insufficient. However I note that there could still be circumstances in which an Over Recovery exceeds the mechanisms provided by both GCM 09 and GCM 10. BG therefore welcomes further proposals that attempt to address this issue.

I also continue to be concerned that there is insufficient "joined up thinking" by NG and Ofgem in the design of the entry capacity and charging regimes. As NG notes in the GCM 10 consultation:

"The forecast revenue from these auctions had been based on historical bidding behaviour; however prices paid were significantly higher than anticipated due to a combination of entry baseline capacity changes and the anticipated trade and transfer processes." (Page 1)

This comment clearly illustrates that changes to the entry capacity regime can have an impact on the stability of the charging regime. However the converse is also true, namely the structure of charges will impact shippers' bidding behaviour and hence the signals NG receives about demand for entry capacity. I would ask that NG and Ofgem bear these interactions in mind when designing and approving both the charging and entry capacity regimes.

Yours sincerely,

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