



23 July 2007

Jan Gascoigne
NG House
Warwick Technology Park
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CV34 6DA

Dear Jan

BG Gas Services Limited Response to NG Letter of 12th July on Review of the Incremental Entry Capacity Release Methodology Release Statement and Consultation on The Entry Capacity Substitution Methodology Statement

BG Gas Services Limited ("BG") welcomes the opportunity to comment further on these issues.

BG remains concerned that a fundamental change to the NTS entry capacity regime is being considered with minimal industry consultation and consideration. BG would therefore prefer that no substitution takes place following the 2007 QSEC auctions until a thorough review of the entry capacity regime is undertaken. BG notes that the current proposals for "Transfer and Trade" of capacity are for the period October 2007 to March 2008 only, prior to discussion of a more enduring regime. However if substitution goes ahead the effects will be permanent i.e. baselines will be permanently moved from one ASEP to another, reducing the former and increasing the latter. BG does not believe that the potential impacts have been adequately discussed by the industry (National Grid's customers), or fully considered by the Regulator. For example at the Transmission Workstream meeting of 5th July it was not clear what criteria Ofgem would use when deciding whether to approve a substitution. BG therefore urges both Ofgem and NG to agree that implementation of substitution be delayed until a review has been undertaken.

Should NG be required to proceed with substitution BG's preferred Option is Option 1 (i.e. current proposal in the IECR with review next year).

Yours sincerely,

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