



14th September 2007

Eddie Blackburn
NG House
Warwick Technology Park
Gallows Hill
Warwick
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 is supportive of efforts to ensure that any TO Over recovery resulting from entry capacity auctions is refunded to those players who have, in aggregate, over paid for entry capacity. We recognise that care needs to be taken to avoid undesirable "feedback loops" where refunds of TO over-recovery simply result in higher bidding in entry capacity auctions resulting in further over-recovery. However we also believe it is necessary to avoid circumstances where over-recovery on entry can result in windfall gains for "downstream" players who receive refunds via the charging mechanism when over-runs are included in the "k" factor for the following year and therefore shared equally between entry and exit players.

On this basis we support the proposal GCM09 to enable over-recovery to be offset against buybacks. However we remain concerned that there could still be a TO over-recovery if the revenue received from entry capacity auctions exceeds the value of buybacks. Whilst we appreciate the difficulties of forecasting a negative TO commodity charge, we believe this could be solved by having a negative TO Commodity charge applied at the end of the year once all revenues were known. Further thought would need to be given to which periods in the year just finished the negative TO Commodity charge would apply to. However the main benefit would be that all flows and revenues for the preceding year would be known, thereby eliminating any forecasting uncertainties. BG is encouraged that NG is considering raising further proposals in this regard.

I hope this is helpful. If you have any queries please do not hesitate to contact me at the address below.

Yours sincerely,

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