

9 February 2015

ACER
Trg republike 3
1000 Ljubljana
Slovenia



BG GROUP

Dear [REDACTED]

Public Consultation on the Oil & Gas UK (O&GUK) proposal to amend the Gas Network Codes CAM and BAL in order to retain the UK Gas Day

BG Group plc (BG) thanks the Agency for the Cooperation of Energy Regulators (ACER) for the opportunity to respond to the consultation on the O&GUK proposal to amend the Gas Network Codes CAM and BAL in order to retain the UK Gas Day.

BG is an active participant in the UK gas industry, operating as a producer in the UK North Sea, an owner of the Dragon LNG terminal, as a licensed shipper in the NTS, a trader of gas at the NBP and as a capacity holder in the Interconnector UK (IUK). We are a member of both O&GUK and EFET.

We would like to take this opportunity to provide our support to the application made to ACER by O&GUK and the UK Shippers Gas Forum for an amendment to the EU Network Codes for the UK to retain its existing 6am to 6am Gas Day, or to be granted a derogation from the obligation to change. We share those views expressed in the submissions of O&GUK and the UK Shippers Gas Forum made to ACER on 24th July 2014 and 29th October 2014. It is our view that a change in the UK Gas Day will expose the industry to significant risks and unnecessary costs, for no obvious benefit.

The current position in the UK is that from 1st October 2015, the downstream industry will change from operating a 6am to 6am Gas Day to a 5am to 5am Gas Day. BG expects to incur significant costs to implement this. Firstly, internal costs, relating to substantial changes to IT systems and legal costs driven from changing numerous contracts. In addition, we envisage being allocated a share of the costs generated by the industry for implementing this change into existing systems and processes.

The upstream and downstream systems in the UK currently operate on a harmonised gas day, with a secure and reliable framework of agreements and processes in place for the accurate allocation of gas between producers and shippers. It is expected that from 1st October 2015, the UK downstream industry will operate a 5am to 5am Gas Day, while the offshore industry will maintain the current 6am to 6am regime. The existing processes will no longer be applicable to a 5am to 5am Gas Day which is likely to lead to mismatches between gas flows and allocations. As a participant in both the offshore sector and the downstream

market, BG will face exposure to the costs and risks of misallocations between two different gas days.

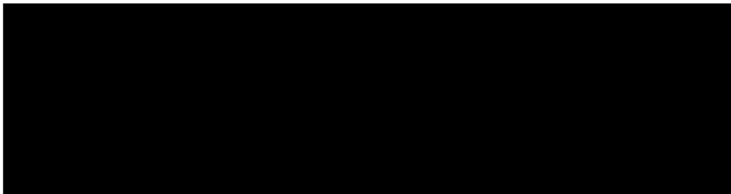
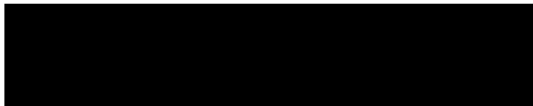
While the scope of the Gas Day change does not extend to the upstream industry, it will undoubtedly have an adverse impact. As both an offshore owner-operator of North Sea fields and an equity partner in non-operated assets, BG anticipates further costs will be generated as the industry tries to find a solution for managing two different gas days. These will obviously be exacerbated if the offshore industry is forced to transition fully to a 5am to 5am Gas Day.

We share those concerns already expressed by O&GUK and the Gas Forum about the impact these risks and costs may have on the NBP. The NBP is a highly efficient, competitive and liquid trading hub and its role in a liberalised European gas market should be protected. We do not want to see legislation introduced that will undermine this.

Regarding the operation of the UK to Continental Europe interconnectors, we support the belief that these pipelines can continue to function effectively, as they have done for a number of years. As a capacity holder and user of IUK, we do not think that there would be any significant benefit to trade at these delivery points through the harmonisation of the UK and European gas days. IUK, as a bi-directional interconnector, is already extremely capable of responding efficiently and quickly to market needs and price signals and is not hindered in this response because of a one hour time difference between two markets.

We urge ACER to pursue the amendment request that has been made by O&GUK and the UK Shippers Gas Forum and allow the UK to maintain its current Gas Day.

Yours sincerely,

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