

**BOC GASES RESPONSE TO NGC CONSULTATION GB TRANSMISSION
CHARGING: USE OF SYSTEM CHARGING METHODOLOGY
REVISED PROPOSALS CONSULTATION**

BOC has reviewed the NGC document dated 20 December 2004 BOC would like to offer the following comments:

1. BOC welcomes NGC's decision to put forward revised proposals following Ofgem's intervention.
2. BOC believes these revised proposals are a move in the right direction, however they do not go far enough.
3. The previous charges under the options A and B would have increased BOC's charges when compared with 2004/05 levels by about 27% and 64% respectively,
4. The illustrative charges contained in the 20 December document would if put into effect increase charges to BOC by about 19% above 2004/05 levels.
5. This level of increase comes on top of an increase of 69% in BOC's 2004/05 charges when compared with 2004/03 levels following the adoption of the PLUGS regime. Some of this increase was offset by lower connection charges but nevertheless the overall increase was very substantial.
6. Therefore a further increase from 1 April 2005 would be most unwelcome and by adding to BOC's cost base is likely to damage the competitiveness of BOC and its customers in the UK.
7. BOC urges NGT to keep charges to demand customers at or below 2004/05 levels.
8. BOC believes that NGT as operator of the GB system should look to see what efficiencies can be made by operating a combined system and an appropriate proportion of these should be passed to system customers via lower charges.
9. BOC is not convinced that a change in generator/demand revenue charge split (G/D split) would have a zero effect in the medium to long term. BOC would expect any increases in revenue on the demand side would be passed on the customers and any reduction in generator revenue would result in larger generator and/or supplier margins.
10. BOC would like to see the G/D split move to 45%G and 55%D.

Hugh Mortimer, 31 December 2004