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Dear Samanta,

Gas Distribution Charges from October 2005

Ofgem's paper of 4 May invites comments on gas distribution charges from October 2005.

The concerns that we raised regarding PC80 *Introduction of Different Levels of LDZ Charges between Networks* remain. We are disappointed that the original analysis that was provided with regard to price control separation and PC80 which indicated that changes would be small and phased over a number of years has proved inaccurate, although we recognise that a later implementation date may have accentuated the level of variation.

We are not opposed to regional price variations in gas distribution pricing. However predictability and stability of charging levels are important to mitigate risk to our retail business and its customers.

The proposed levels of charging over the next two years vary in some regions from a decrease of 5% next year followed by a subsequent increase of 11% whilst other regions have changes of similar magnitude in the opposite direction. This will add risk to the setting of tariff and contract prices for gas customers. We would therefore support changes to the next price control framework that would reduce this level of variability.

Yours sincerely

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