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Director

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Dear Sonia,

Formal consultation under section 23 and section 8AA of the Gas Act 1986

I write in response to the consultation issued on 14th February and acknowledge the enormous amount of progress that has been made to develop the licence to its current stage. There remains few issues to resolve.

As you know, we have written to Ofgem with a number of relatively minor points (see Peter Bingham's letter of 4th March) and we assume that these issues have been addressed.

In respect of business separation, it is NGT's position that the measures proposed in the above consultation and in the draft C20 Compliance Statement are a comprehensive mitigation of any risks of undue discrimination by transmission. These do in fact, go further than is required in several aspects when the total transparency of any potential wrongdoing and the degree and impact of any risk is fully understood and considered. In making this response, NGT assumes that these measures will be accepted and no additional business separation requirements will be imposed through licence conditions or the Compliance Statements.

Shrinkage remains a concern to us and we have written to you under separate cover as I believe that the issue is not fully understood. We look forward to discussing this with Ofgem and finding a satisfactory resolution to this important issue.

Finally, you are aware from our e-mail to you last week that a new problem has arisen concerning regulatory accounts reporting requirements. In signalling that NGT could accept the new reporting requirements under A30 during discussions on the condition, it was always on the basis that the accounts falling due by 30th June 2005 would be reported on the existing basis and not in the new format. NGT cannot report on the new format for the 04/05 accounts by 30th June 2005. I am sure this is based on misunderstanding of the amount of work that would be involved to re-align our processes at this stage and we will be able to agree either that old format reporting for 2004/5 accounts will prevail or a formal agreement for a time extension until May 2006 for the 2004/5 accounts to be produced in the new format.

Subject to the above, which NGT assumes will be capable of satisfactory resolution, NGT considers that it will be able to consent to the modifications contained in the above consultation.

We look forward to discussing with you the resolution of these issues at your earliest convenience.

Yours sincerely

Chris Train
Director, Network Sales