

Samanta Padalino
Head of Gas Distribution Policy
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

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GAZ DE FRANCE ESS (UK) LTD

1 City Walk
Leeds
LS11 9DX
United Kingdom

tel: +44 (0)113 306 2000
fax: +44 (0)113 245 1515

www.gazdefrance.co.uk

REGISTERED IN ENGLAND
NO. 2706333

Dear Samanta,

**Gas de France ESS response to:
Gas Distribution charges from October 2005**

Introduction

Gaz de France ESS is a major supplier committed to bringing business energy excellence to the UK gas and electricity supply markets. Gaz de France ESS currently enjoys a 12% share of the industrial & commercial gas supply market and over 5% of the industrial & commercial electricity supply market and is currently the 5th largest supplier to the combined industrial & commercial UK Market.

Gaz de France ESS is focussed on providing customer service excellence to our target market of industrial & commercial gas and electricity users and has a range of innovative products and services designed to cater for both large and small consumers in these sectors.

Gaz de France ESS view and summary of points

As a general principle Gaz de France ESS is in favour of smoothing gas distribution charges over a reasonable period of time to mitigate year on year step changes in price and to minimise the impact of changes on shippers, suppliers and consumers.

Increased variability in charges is undoubtedly a consequence of DN sales and the separation of price controls across Distribution Networks, variability is likely to be an enduring feature for charges going forwards. Now is an appropriate time to consider the best way to protect shippers, suppliers and consumers via the price control mechanism and we welcome the opportunity to comment at this stage.

In light of the unprecedented volatility regarding the indicative prices for October 2005 and 2006, Gaz de France ESS would welcome the opportunity for a pragmatic solution to be found to smooth these effects across the remaining two years of the price control period. Contrary price movements are exhibited in 6 out of 8 Distribution Networks year on year and netting of these would be a preferred solution.

A similar smoothing methodology should be adopted going forwards as this would iron out any step changes associated with the lumpiness of future REPEX investment. For smoothing to be most effective it should be done on a rolling basis and should have the ability to span price control periods. Fixed 5 year periods would not be an effective way to smooth as under/over recoveries could be rolled up to produce extra-ordinary step changes in the final year.

Whilst we appreciate that business rate changes and base rate changes are not able to be smoothed over 5 years under the current price control, this should be considered for future price control periods.

I trust this information is helpful and if you have any questions or would like to discuss further, please do not hesitate to contact me on 0113 306 2104.

Yours sincerely

Phil Broom
Regulatory Affairs Analyst
Gaz de France ESS