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27 May 2005

Dear Samanta,

Gas Distribution Charges from October 2005

Total Gas & Power Limited (TGP) has considered the points raised in the above letter, dated 4 May 2005, and would like to comment as follows.

We are concerned about both the overall level of change and the wide variation across the Distribution Networks. At the time of the Final Proposals for the Separation of Transco's distribution price control (Ofgem document June 2003) it was stated that the initial attribution of regulatory asset value between the regional networks should minimise any unnecessary disturbance to charging levels; and that disruption to consumers would be minimised as any regional variations in charges should gradually emerge over a long period of time.

Whilst we understand that a lot of the variation now being presented results from rate revisions and the mains replacement incentive, it may be difficult to explain to consumers why their charges are varying so much especially where those consumers operate businesses which spread over a number of networks. This will be compounded by the significant further adjustment in charges, forecast for October 2006.

As such we are supportive of any move to minimise disruption and would welcome the implementation of measures to smooth the variations over a wider time period.

Please contact me if you would like further information on the above.

Yours sincerely

(This message is sent electronically and is therefore not signed.)

Steve Ladle

Head of Regulation

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