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9 August 2005

Dear Colleague,

Amendment to the exemption order issued to BBL Company under condition 12 of the gas interconnector licence granted to BBL Company in respect of the Balgzand Bacton Line

On 10 December 2004, BBL Company submitted to Ofgem¹ a formal application under the provisions of the Gas Act 1986 and in accordance with the provisions of the Gas (Applications for Licences and Extensions and Restrictions of Licences) (No. 2) Regulations 2004 (the Application Regulations 2004) for an interconnector licence that would authorise the participation of BBL Company in the operation of the Balgzand Bacton Line (BBL).

As part of its application BBL Company requested that the licence conditions relating to the matters referred to in sub-paragraphs (a) and (b) of paragraph 2 of Part 4 of Schedule 2 of the Application Regulations 2004, should not have effect in any licence granted to BBL Company in respect of the BBL interconnector until 2 December 2022.

Following consultation, on 8 April 2005, the Authority granted BBL Company a gas interconnector licence under section 7ZA of the Gas Act 1986 and issued an exemption order with this licence providing that standard licence conditions 10 and 11 are not in effect or are suspended from operation in that licence for the physical forward flow capacity of the BBL interconnector (in the direction from the Netherlands to the UK), which equates to approximately 1.8 mcm/hr, and with respect to any non-physical reverse flow of the BBL interconnector.

In its final views document published at the same time as granting the licence to BBL Company Ofgem noted that the European Commission had up to three months in which it can veto a decision by the relevant authority of a Member State to grant an exemption, or request that the regulatory authority amend its decision.

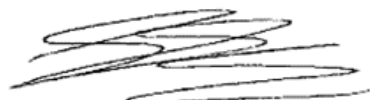
¹ Ofgem is the office of the Authority. The terms Ofgem and the Authority are used interchangeably in this document.

In accordance with Article 22(4) of the Second Gas Directive² the European Commission has now requested that the Authority amend the exemption that the Authority has issued to BBL Company. The European Commission has requested that this exemption only be given in respect of the duration and capacity specifically covered by the initial contracts signed by BBL Company (ten and 15 years) and that both physical and non-physical reverse flow nominations (in the direction from the UK to the Netherlands) not be covered by this exemption.

Ofgem has amended the exemption order issued to BBL Company consistently with the Commission's request. The amended exemption order is attached to this letter.

Should you wish to discuss any of the issues raised in this letter please contact Jo Witters (020 7901 7159).

Yours sincerely



Steve Smith
Managing Director, Markets

Cc: M. Bosman, Managing Director, BBL Company
M. Lamoureux, Director General, Energy and Transport DG
P. Lowe, Director General, Competition DG

² Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC.