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24 Hour gas escape number 0800
111 999*

* Call will be recorded and may be
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28 September 2005

Dear Bob

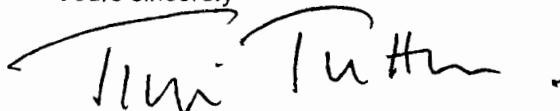
Notice under section 23(3) of the Gas Act 1986

Reference is made to the revised notice (the "Notice") given by the Gas and Electricity Markets Authority on 31 August 2005 pursuant to Section 23(3) of the Gas Act 1986 (the "Act") that it proposed to modify Transco plc's Gas Transporter licence in respect of its National Transmission System ("NTS licence") in the manner set out in Appendices 1 and 2 to the Notice.

With reference to the specific methodology proposed by Ofgem to set the UCAGs for new entry points, we believe that the comments we made in our consultation response dated 30 June 2005 on the principles associated with setting UCAGs remain valid. We do have some concerns over the methodology as detailed in the 'Explanatory note to accompany proposals for new entry points' as it appears to be somewhat arbitrary in that we see little rationale for the choice of taking the average over the three nearest entry points, but understand that it is a pragmatic solution at this point in time. Having received the letter from David Gray on 17 August 2005 outlining that "were the capping of UCAGs for new entry points to give rise to a revenue shortfall then it would be reasonable for Transco to recover the cost of efficiently incurred investment in relation to the provision of incremental capacity as part of the next price control", Transco is willing to accept the modifications, and agrees that the issues associated with the setting of UCAGs for new entry points should be resolved as part of the next PCR.

I therefore confirm that, for the purposes of Section 23 of the Act, Transco plc hereby consents to the making of the modifications to its Gas Transporter licence in respect of the National Transmission System in the manner and form specified in Appendices 1 and 2 to the Notice.

Yours sincerely



Tim Tutton

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