

Joanna Wittington
Director-Gas Distribution
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

30 August 2006

Dear Joanna,

Gas Distribution Price Control Review Second Consultation – Total Gas and Power Ltd (TGP) Response

TGP welcomes the opportunity to comment further on the price control review, in particular the proposed changes to the common Transporter agency arrangements and the UK-link rewrite.

Xoserve

As we stated in our response to the initial consultation, the current funding arrangements for the Transporter's agent have operated reasonably satisfactorily. It is our perception that the agency has discharged its obligations in a competent manner and that Transporters have controlled agency costs in response to their incentives.

As we also previously highlighted however, there are some shortcomings over the agency arrangement . The most salient of these are the lack of any industry oversight in how costs are incurred as well as whether xoserve performs its operations efficiently. As was proposed during the DN Sale process, the presence of a Shipper observer (with no voting power or influence over xoserve's operations) would give a significant increase in the scrutiny of xoserve's operations and enable Shippers to form a view on costs incurred from system changes.

It seems therefore seems appropriate that further consideration is given to how oversight is increased over xoserve's operations; we would welcome any increase in transparency.

With regard to the more fundamental restructuring of the charging methodology proposed under option 2, a "user-pays" system may well target a significant fraction of costs at the appropriate shipper. There may however be prohibitive costs incurred from the creation of process-specific charges and the increased monitoring of system usage. We would welcome further detailed consideration of this option to ensure that the costs and benefits of such a change are fully understood.

Industry dialogue on the UK Link rewrite

We agree with Ofgem's view that previous system replacements have not been consulted upon adequately and as a result opportunities to improve the functionality available to Users have been lost. We welcome an increase in dialogue between shippers and Transporters on any such future changes.

Please do not hesitate to contact me in response to any of the above comments.



Yours Sincerely

Gareth Evans
Regulation Analyst
Total Gas & Power Limited
Direct: +44 (0) 20 7318 6836
E-mail: gareth.evans@total.com



Registered Office: 33 Cavendish Square, London W1G 0PW
Tel: 0870 5275 215, Fax: 0870 5275 213
Registered in England No. 2172239