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Dear Colleague

Open letter on the Conclusions Report on Transportation Charging Methodology Modification Proposal NTS GCM03 'Introduction of an SO Commodity Charge for NTS Storage Facilities' and Uniform Network Code Modification Report 120V 'Introduction of an SO Commodity Charge for NTS Storage Exit Flows'

On 16 January 2007 Ofgem notified NGG that it intends to make a decision on the above by 31 January 2007 at the latest.

NGG submitted NTS GCM03 to Ofgem on 20 December 2006. Ofgem would normally expect to make a decision on such a pricing proposal within the default 28-day window which we set out in the licence.

However, the Conclusions Report and NGG's letter of 20 December forwarding the Report both draw attention to Unified Network Code Modification Report 120V 'Introduction of an SO Commodity Charge for NTS Storage Exit Flows' and note that where any changes to NGG's charging methodology impact on the UNC, then implementation of the changes requires regulatory approval of a UNC Modification Proposal. Ofgem realises the potential impact of changes to NGG's charging methodology on the UNC and is carefully considering NTS GCM03 and Mod 0120V together.

A consequence of NGG's observation is that the 28-day window is insufficient to enable full consideration by Ofgem of the issues raised in the Reports. Ofgem is therefore minded to use the flexibility available in paragraphs 1 and 2 of the Standard Special Condition A5 (Obligations as Regard Charging Methodology) and section 7B(5)(a)(ii) of the Gas Act 1986 and reserve up to 31 January 2006, our right to give a direction that the modification sought by GCM 03 shall not be made by NGG.

We expect to have fully considered the interactions between the proposed changes and arrived at decisions on both Reports by 31 January 2007. This will ensure certainty for NGG and industry.

Regards

A handwritten signature in black ink, appearing to read 'R Hull', is displayed on a light gray rectangular background.

Robert Hull

Director, Transmission