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25 April 2007

Dear Joanna,

Re: Gas Distribution Price Control Review (GDPCR) Fourth Consultation Document

Thank you for the opportunity to comment on the above consultation, Statoil (UK) Ltd (STUK) would like to make the following comments:

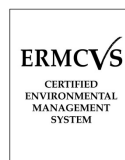
STUK believes it is essential to end users that the GDPCR delivers the perceived benefits associated with best practice as stated at the time of the Distribution Network (DN) Sale. The benchmarking process is an important tool to identify areas of best practice and therefore potential cost savings with can benefit end users.

Regional Factors

The discussions over the different cost base due to regional factors are longstanding. Purchasers of the DN's would have been aware of various geographical factors at the time of the sale and this should have been factored into the price offered by any potential bidder. One would expect that the existing cost base must already include geographical bias as geographical features of the UK are generally consistent. STUK is unaware of any relevant change affecting any individual network which could cause the cost base of a network to alter significantly.

Labour and Material Costs

STUK believe there is a case to be heard for consideration of labour and material costs provided Ofgem are satisfied that it is clear how much of these costs are borne by a network. Whether it is appropriate that the whole of these costs should be borne by customers and how the level of these costs can be assessed over a future 5 year period is not clear.



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The Volume Driver

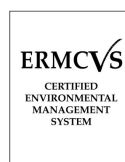
It is important to note that the existing volume driver not only regulates the income of the DN but also acts as a commercial incentive for the DN to ensure large I&C customers remain connected to the network. Without the volume driver STUK believe that many of the remaining obligations and drivers on the DN may be insufficient as they either only apply to domestic premises or are of no significant consequence.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely,

Richard Street
Regulatory Affairs Advisor

* Please note that due to electronic transfer this letter has not been signed



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