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22 January 2013

Dear Ian

Formal proposals to modify the ring fence conditions in network operator licenses

Thank you for the opportunity to respond to your formal proposals for the modified ring fence conditions for network companies. We note your decision to retain the requirement for the network companies to include two sufficiently independent directors on the Board. As we have previously stated, we believe that this proposal is a disproportionate solution for the perceived risk and inconsistent with the requirements of the UK Corporate Governance Code. We also recognise that this proposal is unlikely to place a significant financial burden on the company. We have therefore decided not to challenge the proposed license modifications.

Please do not hesitate to contact me should you have any queries on this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read "PB", with a stylized flourish at the end.

Paul Bircham
Regulation Director