

TOTAL GAS & POWER LIMITED

Joint Office of Gas Transporters
Ground Floor
51 Homer Road
Solihull
West Midlands
B91 3QJ

24 August 2007

Dear Sirs,

Distribution Networks Pricing Consultation Paper DNPC03

Thank you for the opportunity to comment on the above Proposals.

The questions for consultation contained in the above Paper are the following:

- a) Should the Charging Methodology be changed so that the capacity element of the LDZ System charges is set to recover 95% of the revenue from the LDZ system charges, and the commodity element is set to recover 5% of the revenue, compared with the current 50%/50% target split?
- b) Should Interruptible supply points pay 47.37% of the increased LDZ capacity charge so as to maintain the value of the discount received by interruptible supply points at its current level, on average?
- c) Should this change be made with effect from 1st April 2008 or 1st October 2008?

Generally speaking, Total Gas & Power Limited (TGP) would welcome any proposals which can produce charges that are more stable and more cost reflective and which would therefore facilitate planning and budgeting and indeed competition. However, in order to appreciate fully whether these proposals meet these criteria, TGP believes that more supporting information will be required.

More specifically, TGP's views in relation to the above questions can be summarised as follows:

Charging Methodology

Whilst TGP appreciates that it may be necessary to consider a change in the current 50% Capacity/Commodity split for the LDZ System charges, it does not think that sufficient information has been provided in order to allow a fully informed decision to be made as to what the appropriate split should be. It therefore feels that it is not yet in a position to make any meaningful comment upon the proposed 95/5 split.

In particular it does not feel that sufficient justification for a 95/5 split (as opposed to different proportions) has been put forward.

TGP would also like to have some clarification as to whether this split will be fixed or whether it will be subject to further review in the near future.



Interruptible Supply Points

Appendix 1 of the Consultation Paper contains a table showing the anticipated average impact of the proposed changes by Load Band.

In order to produce this table it would have been necessary to use the SOQs of the relevant sites. Whilst TGP has not carried out any detailed analysis of the table, a preliminary consideration of the anticipated changes for all types of sites is not in line with the changes TGP would intuitively have anticipated (in particular but not explicitly in relation to interruptible sites). TGP therefore considers that a verification of the accuracy of the information held in relation to interruptible sites should be carried out before any final decision can be made. It is important to ensure that important decisions of this nature are made upon sound foundations. The fact that interruptible sites do not currently pay capacity charges may mean that the information held in relation to such sites is not completely up to date.

If it is true that data held by Xoserve is inaccurate, then the industry should be provided with a reasonable period of time to correct it before the 95:5 capacity/commodity split framework is implemented.

Effective Date

As a Supplier, TGP is strongly of the opinion that any change should take place on 1st October as this corresponds with the start of the Gas Year and is the renewal date of a majority of its supply contracts.

It is also strongly of the opinion that any change should not be implemented before 2010 as this would have an adverse effect upon existing medium term supply contracts into which it has already entered, such as, for example, a 2-year I&C volume based contract with no pass through or price re-opener.

TGP feels that making significant changes to charges within contract periods, especially in the absence of sufficient notice periods, will lead to further risks on both shippers/suppliers and customers. TGP feels that it would be wholly inappropriate for customers and suppliers to be impacted, when this can simply be avoided by delaying the implementation date.

Yours sincerely

David Faragher

Head of Legal & Regulations
Total Gas & Power Limited

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Registered Office: 10 Upper Bank Street, Canary Wharf, London E14 5BF
Tel: +44 (0)20 7718 6000, Fax: +44 (0)20 7718 6005
Company No : 2600099