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By email: enquiries@gasgovernance.com

Dear Tim

Re: DNPC04 – Methodology for Determining the Balance of Revenue Recovery between LDZ System Charges and Customer Charges

This response is on behalf of Total Gas and Power. It is not confidential.

Overall, Total supports the changes outlined above, however it does not support the timing of this modification which it believes to be too onerous for I&C supply businesses and fails to give them sufficient time to price these changes into existing contracts. We do not consider price changes of up to 10% to be insignificant.

This position is also subject to an Impact Assessment, which Total believes should be undertaken, and in particular the impact that this has on IPGTs. This proposal creates margin squeeze which then reduces their opportunity to bid for new connections thereby potentially limiting competition. In addition, this proposal will push the revenue neutral migration date further back in time, thereby delaying the point at which higher priced legacy projects migrate into the lower priced RPC regime, something Total are keen to avoid.

1. Should the charging methodology be changed so that the balance between LDZ System and Customer charges for each DN is based upon a network specific estimate of the split of relevant costs?

As there are no impact to our business whichever way the charges are levied, Total believes that this should better reflect cost to each DN.

2. Should the DNs rebalance the LDZ System and Customer charge each time the level of charges is changed or should DNs rebalance the LDZ System and Customer charges only if the forecast revenue split deviates from the cost reflective target split by more than a set threshold value?

The current position, which leaves the timing and implementation of any future rebalancing at the discretion of the DNs who consider their obligations regarding the charging methodology and the desire for simple transparent changes to charges would be Total's preference. This is on the understanding that the implementation is far enough in advance to allow these costs to be factored in to our overall selling price.

3. Is there any reason as to why this should not be implemented from 1st April 2009?

Yes, after gas, transportation is the biggest cost to our business. If cost increases, which is what this effectively consultation is recommending for the I&C community, we must be given time to pass this cost through. Failure to do so could have significant impacts on our marginal supply businesses.



TOTAL GAS & POWER

Yours sincerely

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