

Mr. Julian Majdanski
Network Code Development
Transco plc
31 Homer Road
Solihull
West Midlands B91 3LT

28 October 2004

Dear Julian,

Modification Proposal 714 – “Use of Principles of Governance in Applying Section Y of Network Code”

Total Gas & Power Limited (TGP) fully supports the above modification proposal.

General comments on modifications 712, 713, 714 and 715

TGP has actively participated in the group of Gas Forum members who have worked together to develop improvements to the governance arrangements for the Network Code Modification process. These improvements are contained in the above modification proposals together with others that have been recently implemented or are currently being considered by the industry.

It is not the intent to diminish Transco's responsibility within the process, fully recognising that they have licence responsibilities over and above the responsibilities of shippers. The driver behind the proposals has been to encapsulate and formalise best practice within the process, recognising that much of the time this best practice is already followed. All of the proposals have been raised recognising Transco's responsibilities under its Standard Licence Condition 4D (1) (to ensure that no party obtains any unfair commercial advantage etc) and Standard Condition 9 (1) (b) (re the efficient discharge of its obligations). In essence, if the governance process can be improved, then this will result in increased transparency and efficiency for all parties and reduce the potential for any preferential or discriminatory arrangement for any individual party.

Detail re Modification 714

We welcome Transco's support for the proposal and look forward to its recommendation in the FMR following its consideration of the views of respondents.

Our views on the issues raised by Transco are as follows:-



- TGP does not believe that the Network Code Principles of Good Governance is intended to be an Ancillary Agreement to the Network Code. Instead it should be a referenced document that is available to the industry and which will be maintained by the Modification Panel.

- TGP do not agree that implementation of this Proposal would make the governance process overly complex. The Network Code Principles of Governance are there to be used as guidance against which any proposed changes to Section Y can be measured. As such a change to Section Y would only be agreed if it improved the Governance process in terms of effectiveness, efficiency, participation, accountability and/or consistency. If a change was proposed that made the process overly complex it is extremely unlikely that it would meet these Principles of Good Governance and hence would not be approved by Ofgem.

- Assuming the Proposal is implemented TGP are assuming that the proposed Network Code Principles of Good Governance would be adopted. The Modification Panel would only be involved in considering any proposed future changes to the Principles.

- TGP believe this Proposal could be implemented immediately

Should you wish to discuss our response further, please feel free to contact me.

Yours sincerely,

(This message is sent electronically and is therefore not signed)

Steve Ladle
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