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to customers*

East Surrey Pipelines Ltd, Shippers
and other parties.

Our Ref: Net/Cod/iGT12
Direct Dial: 020 7901 7491
Email: industrycodes@ofgem.gov.uk

25 May 2005

Dear Colleague,

Modification Proposal ESP110: To allow the use of an Old Supplier Estimated Read (OSER) as a Change of Supplier Meter Reading.

Ofgem have considered the issues raised in this modification proposal and have decided to direct East Surrey Pipelines Ltd (ESP) to implement the proposal as we believe that it will better facilitate the relevant objectives of ESP's Network Code as defined in Standard Condition 9 of its GT Licence.

Background to the Proposal

The Customer Transfer Programme (CTP) has identified a number of ways in which Change of Supplier Meter Readings can be processed as part of the customer transfer process. This modification proposal forms part of the end to end solutions put forward by the Customer Transfer Programme (CTP) and seeks to improve the efficiency, accuracy and robustness of the Change of Supplier Process by adding a new classification of meter read that can be accepted by the GT.

The Modification Proposal

This modification proposal seeks to codify a new category of acceptable meter read for the purposes of the Customer Transfer Process.

The CTP defines a process where the OSER will be sent by the Old Supplier to the New Supplier. The new supplier would then submit this meter read, via the confirming Shipper, to the GT to be used as a Change of Supplier Meter Reading.

Respondents' Views

ESP received three responses in relation to this modification proposal all of which supported its implementation. Respondents expressed the view that the proposal would help to improve the

robustness of the Change of Supplier process by reducing the volume of 'shipper agreed reads' and that it was consistent with similar proposals in the electricity market.

ESP's views

ESP supports the implementation of this modification proposal. It is their view that an OSER could reasonably be expected to be more accurate than an estimate provided by the GT as the old supplier is likely to have a more detailed meter reading history upon which to base their estimate. ESP believes that access to more accurate meter readings should lead to a more accurate and efficient transfer process which, in turn, will support the further development of competition between shippers and suppliers.

Ofgem's Views

This modification proposal forms part of the solutions suggested by the CTP as a means of improving the customer transfer process. Ofgem is supportive of changes that contribute to a more efficient customer transfer process, as this is the mainstay of a competitive supply market.

Ofgem's decision

Having considered the issues raised by this modification proposal Ofgem has decided to direct ESP to implement modification proposal 110, as it will contribute to the fulfilment of the relevant code objectives, particularly the securing of effective competitive between gas suppliers.

In accordance with condition 9 (9) (b) of the standard conditions of ES Pipelines Ltd Gas Transporter's Licence, dated 1 April 2000, ES Pipelines Ltd is directed to make the above proposal (as contained in ES Pipelines Ltd Network Code Modification report 110 dated 25 April 2005) as a modification to the Network Code.

If you have any further queries regarding this decision letter please feel free to contact Samantha McEwen 020 7901 7032.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. N. Simpson', written over a horizontal line.

Nick Simpson
Director, Modifications