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Your Ref:
Our Ref:
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Date: 19 December 2007

Dear Peter

Re: UNC 0116: enduring offtake - next steps following the Competition Commission's decision

Thank you for your letter dated 23 November 2007, which seeks clarification in relation to the Authority's future consideration for the enduring offtake arrangements. In your letter you raise four specific questions which we have summarised and addressed in turn below:

1. Would the Authority consider any proposals that emerged from the 166 Review Group if these were presented to Ofgem in good time?

We have been following the work of the Offtake Review Group 166 and will give careful consideration to any modification proposals that arise from this process, in accordance with the usual UNC modification procedures.

2. Does Ofgem intend to carry out a further impact assessment for the '0116 series' of modifications and any other alternative proposals that might be put forward? If so, what is the likely timetable for this?

At this stage it is not possible to indicate whether we intend to undertake a further impact assessment, as we will need to consider the responses to our recent open letters¹ before the Authority can decide an appropriate way to proceed on this issue. As a result, at this stage it is also not possible to provide further guidance in relation to the timetable for offtake reform. We would, however, hope to be able to do so by the end of March 2008.

3. Will NGG's response to our information request on the availability of flex (dated 1 November 2007) be published, so that industry will have the opportunity to comment?

We intend to publish NGG's response to our information request concerning the availability of flex capacity, subject to the redaction of confidential and commercially sensitive information.

¹ Ofgem open letter 'UNC 116: enduring offtake - information request on the availability of NTS exit flexibility capacity - 269/07'. Ofgem open letter 'UNC 116: Enduring offtake - next steps - 263/07'. Both letters are available at: www.ofgem.gov.uk

4. Does Ofgem consider that a delay to the implementation of the enduring arrangements is appropriate, in order to allow a robust consideration of the enduring offtake proposal.

We acknowledge your concern in relation to the feasibility of implementing the enduring offtake arrangements next year. All parties to the UNC are free to raise a modification proposal to extend the sun-set clause in relation to the transitional arrangements. As with all UNC modification proposals, we would give any such proposal careful consideration.

We hope this letter helps to clarify, at least in part, the issues that you raise in relation to offtake reform.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Hull', written in a cursive style.

Robert Hull
Director - Transmission