

Alistair Buchanan
Chief Executive



Ref: ab171-07vhl

Steve Briggs
The Gas Forum
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*Promoting choice and
value for all customers*

19th December 2007

Dear Steve

Re: UNC modification 0116: enduring offtake arrangements – way forward

Thank you for your letter dated 30 November 2007, in which you set out some concerns raised by members of the Gas Forum concerning the ongoing uncertainty with regard to the enduring offtake arrangements.

We have been following the work of the Offtake Review Group 0166 and will give careful consideration to any modification proposals that arises from this process, in accordance with the usual UNC modification procedures.

As you mention in your letter we have recently issued two open letters¹ concerning offtake reform. We will need to consider the responses to both these letters before the Authority can decide upon an appropriate way to proceed on this issue. Having considered the responses and updated the Authority in the New Year we will then be in a better position to indicate whether we intend to undertake a further impact assessment. 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.

In response to your question concerning NGG's response to our information request on the availability of flex capacity, we indeed intend to publish this response subject to the redaction of any confidential and/ or commercially sensitive information.

We acknowledge your members concerns in relation to the feasibility of implementing the enduring offtake arrangements next year. We note that any party to the UNC can 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.

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

We hope this letter helps to clarify, at least in part, our current position in relation to the points that you have raised. If you have any further questions please contact Robert Hull (Director of Transmission, Ofgem) on 020 7901 7050 or by email at robert.hull@ofgem.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read "Alistair Buchanan". The signature is fluid and cursive, with a long horizontal stroke at the end.

ALISTAIR BUCHANAN
CHIEF EXECUTIVE