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value to customers*

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Dear Tim,

Transco pricing consultation PC69

This letter confirms Ofgem's intention not to veto the charging methodology modifications proposed by Transco in PC69. The reasoning behind this decision is set out below.

In November 2001, Transco consulted on proposals to change its charge for estimated domestic opening reads, from its current level of £7.62. As a result of PC21 in 1998, this charge was set based on assumptions on the volume of such reads to be provided. Since then the volume demanded has been much higher.

In Ofgem's view, it is paramount that the charge for this service reflects the costs associated with its provision, for given volumes of estimates and agreed reads. To give customers comfort that the proposed new charge remains appropriate in the light of any significant changes in volumes, it will be important that Transco provides adequate information about the operation of this charge. If this indicates a need to further change charging arrangements, Transco will need to bring proposals forward in due course.

On the basis of the consultation, Ofgem has decided not to veto Transco's final proposal, set out in PC69, to reduce this charge to £1.13.

Yours sincerely

[signed]

Adrienne Monroe

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