

Shippers, Transco and other interested parties

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Dear Colleague,

Transco Consultation Report on PC 77 NTS TO Commodity Charge (January 2004)

Transco is to publish its consultation report on pricing consultation *77 NTS TO Commodity Charge* (January 2004 report) in January 2004. This report will set out Transco's revised proposals for the introduction of an NTS TO commodity charge. The revised proposals are based upon some of the views expressed by respondents to Transco's July 2003 pricing consultation paper *NTS TO Commodity Charge (PC77, July 2003)*.

In its January 2004 report, Transco proposes that a NTS transmission asset owner (TO) commodity charge is introduced from April 2004 with an initial rate of zero. The TO commodity charge would exist alongside the NTS SO commodity charge and would be used to adjust the level of TO revenue, where Transco forecasts a significant under or over recovery of TO revenue against the maximum allowable revenue following the annual monthly system entry capacity auctions.

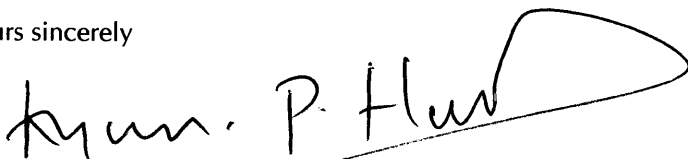
Transco states that it is its intention to notify shippers in advance of the level of the TO commodity charge in respect of the full 12 month period commencing each October, except in extreme circumstances where there is a major variance between actual and target capacity auction revenues.

As we stated in our response to pricing consultation paper *75 NTS SO Commodity Charge (PC 75)*, whilst we agree with the principle underlying the proposal for the introduction of a TO commodity charge, Ofgem is aware that a number of shippers have raised concerns about the frequency of changes to charges and the uncertainty surrounding the level of transportation charges.

Ofgem would welcome any additional or new views in relation to Transco's revised TO commodity charge proposals. These views will be taken into consideration as part of Ofgem's review of Transco's charging proposals.

Responses should be sent to kyran.hanks@ofgem.gov.uk by Monday 19 January 2004. Unless marked as confidential, Ofgem would prefer to place responses to this letter on its website.

Yours sincerely



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