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Dear Robert

Indicative Notice of Revised NTS Gas Transportation Charges to apply from 1st February 2007

This letter provides notice of possible changes to the NTS SO Commodity and St Fergus Compression charges that would apply from 1st February 2007 in line with the GT Licence requirement to provide 150 days notice of such proposals. Only the NTS SO Commodity and St Fergus Compression charges would be affected. The definitive notice of any change to the charges to apply from 1st February 2007 will be published by 1st December 2006.

Any such change would be the third price change during this formula year and would be required in order to fulfil our licence obligations relating to revenue over-recovery for 2006/7.

The two main factors that could lead to price changes are the volatility of shrinkage costs and the impact of a meter error.

- 1) The volatility of gas prices has resulted in additional uncertainty of shrinkage costs and consequently allowed revenue. If our forecasts of gas prices (and hence shrinkage costs) are reduced significantly then we may be required to modify the **NTS SO Commodity** and **St Fergus Compression** charges, in order to avoid significant over-recovery. Our current central forecast however, would not give rise to a price change.
- 2) A meter error at Farningham that may impact on allowed revenue for 2006/7 was not included in the October 2006 charges due to the uncertainty relating to the timing or impact of its resolution. If the current proposed solution is agreed before 1st December then the **NTS SO Commodity** charge for the period 1st February 2007 to 31st March 2007 will be reduced accordingly. Our current central forecast would give rise to a price reduction in the order of **25%**.

If you have any questions about the information provided in this letter, or NTS charges in general, please contact myself or Karin Elmhirst on 01926 655540 or email Karin.elmhirst@uk.ngrid.com

Yours sincerely

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