



3 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1BN

14 February 2005

Direct Dial: 0208 734 9355
Facsimile: 0208 734 9350

Sent via e-mail to: graeme.hodgson@ofcom.org.uk

Dear Graeme,

Valuing copper access

Centrica welcomes the opportunity to comment on Ofgem's consultation in respect of 'Valuing copper access – A consultation on principles' and is happy for this non-confidential response to be published by Ofcom.

Whilst Centrica fully supports the response submitted by the United Kingdom Competitive Telecommunications Association (UKCTA), we would like to make a number of further observations.

This consultation and the related consultation 'Ofcom's approach to risk in the assessment of the cost of capital' will be important determinants of the final price paid by end consumers for telecommunications services. In particular, the cost of copper will be a key input to wholesale line rental and local loop unbundling products, on which competitors to BT depend. Consequently, we place great weight on the outcome of this review.

The timing of this consultation is particularly welcome in light of Ofcom's strategic review of telecommunications. Ofcom recognise the limited prospects for competition in the copper access network. Accordingly, they propose a change in approach in this area from one of facilitating competitive entry to that of protecting customers from excessive pricing, a policy direction we fully support.

As noted in the UKCTA response, consideration thus far has been on the principles underlying the valuation of copper access. However we believe it will be important to revisit and potentially re-evaluate these principles in the light of the resulting financial analysis by Ofcom and appreciation of the impact of the changes.

Centrica plc
Registered in England No. 3033654
Registered Office
Millstream, Maidenhead Road
Windsor, Berkshire SL4 5GD

If it is not possible to adequately address all of the issues within the currently envisaged timescales, Ofcom should consider implementing a more limited range of changes rather than risk delaying the flow of benefits to customers. Unresolved issues could be highlighted for future resolution.

Yours sincerely

Tahir Majid
Regulatory Issues Manager, Strategy