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GAS NETWORKS SALE GETS FULL CONSENT TO PROCEED

Ofgem's Authority has today (Wednesday) given its final consent for National Grid Transco (NGT) to sell four of its low-pressure gas distribution networks.

NGT hived-down the four networks into four wholly-owned Transco subsidiary companies on 1 May. This followed the announcement last month that NGT had met the conditions precedent to hive-down, which Ofgem's Authority had attached to its consent for the sale in January.

An additional condition of the January consent was that NGT could not sell the shares in the four relevant wholly-owned Transco subsidiary companies without the Authority's further consent. All the conditions to the Authority's January consent have sought to ensure that customers' interests would be protected when the four networks are sold.

Following today's announcement from Ofgem, NGT is now free to sell the shares in these four companies to its prospective buyers.

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Notes to Editors

1. In August 2004 NGT announced that it had entered into conditional agreements with third party purchasers on the sale of four of its gas distribution networks. NGT had to obtain approval from Ofgem and the Secretary of State for Trade and Industry, before the sale could go ahead. In addition, safety cases needed to be accepted by the Health and Safety Executive. NGT has eight low-pressure gas distribution networks in Britain in addition to owning the high-pressure National Transmission System. The four distribution networks NGT will be selling are: Scotland, the North of England, the South of England and Wales and West. The remaining four networks will be retained by NGT.

2. Ofgem has identified potential savings for customers of around £225 million between 2005-2023. These potential benefits are expected to start to feed through to customers in future price controls as Ofgem is expected to be better able to compare the performance of the distribution networks. In electricity distribution, the ability to compare different companies' performance has enabled Ofgem to halve the costs of distribution in real terms since privatisation (1989).

3. The conditions for Ofgem's consent to hive-down and share sale related to the regulatory, commercial and operational arrangements required to protect the interests of customers in a divested industry structure. For example:

- clearly defined roles and responsibilities for network owners
- new offtake arrangements (to be implemented from September 2005)
- the introduction of an agency to carry out functions that NGT currently carries out centrally, including administering the processes needed to support gas competition.

4. The costs of gas distribution make up around 23 per cent of the average domestic customer's bill.

5. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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