

Our ref:- DJ/Ofgem

18th July 2003

Bryony Sheldon
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Ofgem
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Dear Ms Sheldon

Gaz de France

Response to Ofgem's Gas Retail Governance 'Further Consultation' paper of June 2003

We are pleased to provide you with our response to Ofgem's consultation on this issue. Our response is in the form of our general view on the subject rather than detailed responses to all of the issues raised. Gaz de France would welcome further discussion on this highly complex area and as such asks you to consider that the absence of our raising points over matters of detail does not necessarily imply our agreement to anything not raised in this letter.

General Response

We are concerned that the formulation of an SPAA is predicated on a view that inadequate governance exists in the Retail gas market. We dispute this view from the perspective of an Industrial and Commercial only supplier. The Industrial and Commercial gas market has many differences from the Domestic market a fact recognised by the differing licence conditions under which suppliers operate in these markets.

We have a fundamental unease with proposed governance arrangements that in our view would:

- Not address the differences in operation of the Domestic and Industrial and Commercial markets.
- Be heavily weighted towards the needs of the Domestic market due to the proposed voting arrangements.

- Replace what are in our view potentially adequate governance arrangements in the Industrial and Commercial gas market, namely the management of the Industrial and Commercial Code of Practice by the Gas Forum.

It is also our belief that Industrial and Commercial suppliers should not be subject to a licence condition compelling accession to SPAA.

Industrial and Commercial only suppliers between them comprise a significant share of the total end user market for gas (approximately 30% of the DTI's definition of Final Consumption based on DTI and Datamonitor figures for 2002). We clearly have concern over proposals that would, in our view significantly reduce the influence that these suppliers would have on industry governance.

The creation of a new process of governance in the operation of the gas market appears to be driven by the need to improve the operation of only part of it. The Industrial and Commercial market has generally not been beset by some of the problems of the Domestic (particularly electricity) market. Further it seems likely, as is the case in the electricity market, that issues of 'vires' and compatibility between codes will result.

In summary, therefore, we feel that the views of Industrial and Commercial only suppliers need much more consideration before further progress can be made and before we could support any proposal to develop an SPAA. To this end we would welcome further discussion on the issue and as part of that process could provide a response on the points of detail raised in your consultation paper.

Yours sincerely

David Jutton
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