

**SBGI Response to Ofgem's Consultation Document:**  
**National Grid Transco – Potential sale of network distribution businesses.**

1. The SBGI is trade association for the onshore gas industry. Its membership includes Transco and most of its major suppliers of products and services for maintaining and developing the gas infrastructure, as well as Centrica and others with an interest in the future of the distribution networks.
2. To help inform its response, representatives of the SBGI attended the Ofgem workshop at the British Library in London on 10 September and consulted relevant members.
3. The implications for safety represent a major concern of SBGI members. It is understood that the HSE intends to consult the industry on this subject. The SBGI will address safety issues in its response to that consultation rather than the present Ofgem consultation.
4. While there is no evidence at this stage that the sale of one or more distribution networks is likely to have major implications for typical SBGI member companies, the aggregate cost impact on companies in Transco's supply chain should be taken fully into account in the Regulatory Impact Assessment.
5. Concerns have been expressed by SBGI members regarding the possible impact on:
  - The effect on existing supplier relationships and the operation of long term contracts with Transco.
  - The 30 year mains renewal program.
  - The national emergency service.
  - The expansion of the UK gas network and the associated reduction in fuel poverty.

Due regard should be given to all these issues.

6. Lessons learnt from the separation of British Gas systems and processes during 1995/6 should be taken into consideration in this process and adequate time needs to be allowed for system and process developments.
7. Ofgem appears intent on requiring Supply Point Administration (SPA) and NTS Exit arrangements to be resolved prior to approval of the sale of a network. Whilst there is relatively little impact from SPA and Exit to the day to day operations of the existing 8 networks, these are important changes and as such require extensive consultation. Our understanding is that for network sales to proceed, it is likely they will need to be completed by the end of 2004 or early 2005 in order that the new network owners can commence their submissions for their new price controls, which are due to be effective from April 2007. The SBGI believes these timetable issues need to be confronted and resolved, perhaps either by extending the present price controls to 2008 or by unlinking the sale of networks from completion of the SPA and Exit reforms.