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Kyran Hanks
Director, Gas Trading Arrangements
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26th September 03

Dear Kyran,

Thank you for providing the opportunity to respond to your recent consultation on NGT's proposed disposal of one or more of their Distribution Networks (DN's). Your document was very helpful in identifying some of the issues.

I am part of a consortium who is interested in purchasing one or more DN's.

It appeared at the workshop and in going through the consultation document that Ofgem is looking to secure all outstanding issues as part of the sale process and the Gateway concept seems to back this up. NGT, on the other hand are seeking minimal disruption to effect the sale.

We support the proposed sale but recognize that NGT, potential purchasers and finance providers are likely to lose interest if the programme for disposal is allowed to slip until every single duck is in place. Confidence is already undermined in Ofgem's stated view that it may well slip into 2005. The prize of the wider benefits of multiple ownership should be seized upon while the opportunity exists.

There are in our view two key steps: -

Step 1. Achieving the sale of one or more DN's by September 2004.

Step 2. Creating the value from which the consumer will benefit – 2004 and beyond.

To achieve **Step 1** the Offtake Agreement in conjunction with a "central service provider", the Agency is critical. Get this right and the minimal changes NGT are proffering in relation to Licence and Code changes are appropriate and the timescales can probably be met.

Step 1 will not immediately (if ever) bring benefits to the consumer. Ofgem get a comparator but nothing else really changes beyond the efficiencies already identified. In this phase, DN's should be compelled to use the services of the suggested Agency (Assuming agreement over ownership and funding issues). Everyone operates on a level playing field.

To achieve **Step 2**, a managed transition will be essential. Licence and Code changes will be required, as DN's get freed-up from the requirement to use the services of the Agency and develop the commercial freedoms that will be necessary to encourage innovation, which in turn will create the benefits of multiple ownership.

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Step 1 facilitates the sale only and enables a bedding in period. A timeframe of around 18 months is appropriate. This will enable development work and implementation of current industry agreed improvements, with minimal disruption to the market. Work continues during this time to enable -

Step 2 to be rolled out.

At this stage, DN owners will have built up a better understanding. Day to day inter-relationships and communications will be firmly established. The HSE will have had the opportunity to ensure that the players and the industry are ready for more radical change.

Separate Network codes and Licences will in our view be essential. Ideally, Step 2 will coincide with a new Price Control.

We would therefore urge Ofgem to be seen facilitating the sale of one or more DN's in the best interests of the consumer whilst recognizing the benefits are not all realizable on day one.

Yours Sincerely,

Noel Copperthwaite