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Sonia Brown  
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Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE



**Date** 17 May 2004

Dear Sonia,

**National Grid Transco – Potential sale of network distribution businesses  
Agency and Governance arrangements**

Thank you for giving EDF Energy the opportunity to respond to the consultation on the agency and governance arrangements in the event of a sale of a network distribution business.

EDF Energy notes that Ofgem's remit is to ensure that any distribution network sales will be beneficial to the customer. EDF Energy believes that the sale of one or more distribution networks represents no clear benefit to the customer.

EDF Energy requests that if there is to be a distribution network sale then it should be achieved at no additional cost to gas shippers.

EDF Energy is strongly in favour of a universal code to avoid fragmentation and to ensure that comparative regulation can occur. Each distribution network should be subject to the same requirements, so that, where one network owner proposes a modification that is subsequently agreed, then the other networks should be obliged to comply to ensure that innovation is introduced throughout the GB system and not just in localised pockets. Ofgem's ideal goal of comparative regulation can only be achieved if the distribution networks can be compared on an identical baseline under a uniform network code.

EDF Energy supports an agency structure which includes transmission and distribution charges, credit and cash collection. We believe that, since the charging methodologies are held by the relevant owners, efficiencies can be driven through this process. However, in order to ensure no increase in costs to shippers it is important to have these functions under the agency structure. We support Option B ("Introducing a governance entity"), with transmission and distribution charges, credit and cash collection to be included in the scope of the Agent. If transmission and distribution charges, credit and cash collection are

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not included within the agency then this will result in increased complexity in the process and increase costs for shippers.

EDF Energy supports the introduction of a governance entity as we believe that this will make the modifications process more transparent to shippers. We note that the existing modification process is relatively efficient and would therefore still like the new process to be able to rely on Transco for support in drafting modification reports.

EDF Energy has noted the comments of Ofgem on restricted and unrestricted governance. We support unrestricted governance arrangements which would operate as per the current baseline and we think that it would be appropriate for all final modification reports to Ofgem under these arrangements to include a note assessing the implications (if any) of the modification for any further fragmentation of the industry.

EDF Energy believes that the agency should be a not-for-profit organisation with a board structure, to ensure that the costs of the agency are realistic and that the agency is providing the required service. We note that the agency is to be under NGT's price control but that, after the end of this price control period, the company should become not-for-profit.

We hope that you will find these comments helpful. If you would like to discuss any of the issues raised in our response please contact myself or Helen Bray on 020 7752 2518.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Linford', with a long horizontal flourish extending to the right.

**Denis Linford**  
**Head of Regulation**