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National Grid Transco

Re : Initial thoughts on restructuring of Transco plc's Gas Transporters licence

NGT is pleased to provide the following comments on Ofgem's consultation "Initial thoughts on restructuring of Transco plc's Gas Transporter licences". In this response, we have considered the points directly relevant to this initial consultation and, so far as our thinking has developed and arrangements are settled, the points that occur to us in respect of the two further formal statutory consultations that are contemplated.

The proposed collective licence modification ("CLM") procedure

It is our view that the prescribed percentage threshold for the procedure should be 20% as per the statutory CLM procedure.

We believe that the basis for calculating weighting according to market share should be to consider the total quantity of gas conveyed to the premises of consumers by the gas transporter(s) in question.

We are of the view that a second test (as per the statutory CLM procedure) based on the number of relevant licencees is warranted in order to be consistent with the statutory CLM process. We believe that such a test should be based on the number of relevant licensees in question (be it Distribution Network ("DN") GT licensees only, National Transmission ("NTS") GT licensee only or both NTS and DN GT licensees as the case may be) and accordingly the test should not be designed specifically in order to reflect how many of the licensees of the 8 DN areas are content with a proposed modification.

Transportation charging arrangements (ASC 4 and ASC 4A)

DN charges are set based on forecasts of throughput (among other variables) that will by their nature be wrong to some extent. Some degree of over or under recovery in each formula year is therefore unavoidable. The danger of limiting changes in the charges to one date per year is that this will cause under or over recovery to accumulate so that the percentage change to the charges when it is eventually made has to be greater than it would have been had the change been made six months earlier.

DNs have only a very limited opportunity to target zero "K". If there are to be restricted dates in the year when changes to the level of charges can be made then it would be appropriate to modify the licence conditions at the same time to allow for greater under / over recovery and to remove the asymmetric interest rates that currently exist. This would be even more important if changes are to be limited to once per year. In addition, it must also be recognised (as Ofgem notes) that there may be times when changes will be

needed more frequently for unforeseen events and to avoid situations where large under or over recovery would otherwise occur.

For Transmission, limiting the number of changes to charging is more problematic. Two months ago the Authority did not exercise its veto on the “NTS TO Commodity Charge – under recovery” that may require NTS charges to change on 1st October and 1st April annually. The auctions for entry capacity also lead to at least two annual changes to the NTS statement of charges. Given that the present timetable for auctions precludes these changes being synchronised, there will be at least four changes to NTS charges per annum. We therefore suggest that the NTS licensee should be excluded from the licence conditions relating to the frequency of changes to transportation charges. Given that the outcome of auctions is inherently uncertain, the NTS is liable to significantly higher levels of over/under recovery risk than the DNs. For this reason we believe that the proposal to adopt symmetric interest rates for over/under recovery should include Transmission in any event.

On the governance of this process, we have indicated through the work stream discussions that the Joint Office can develop a process to coordinate discussions on changes to charging methodologies. As demonstrated above NTS will not fit in with the proposed framework. However, the desired objective of “co-ordinating between DNs” is not compromised by the exclusion of Transmission.

We note that whilst NGC’s electricity license refers to “better achieving the relevant objectives” the gas licence is in terms of “achieving the relevant objectives”. This difference could be reviewed as part of the present process. Additionally, if the concept of the NTS contracting with connectees for an exit product is adopted, then this will need to be reflected in the licence.

Section 4B currently covers all pressure tiers and hence places obligations in respect of both transmission and distribution. We suggest a review to remove any obligations that are no longer appropriate.

Requirement to enter into transportation arrangements in conformity with network code (ASC4E)

We have stated consistently that the Offtake Code should not be included in the Uniform Network Code for two main reasons.

Network Code was designed to be a contract between Transco plc (the gas transporter) and shippers, so it is not designed to accommodate gas transporter to gas transporter arrangements. Such fundamental change would undermine the clarity and accountability that exists today between the obligations of the gas transporter and those of shippers. Inclusion of these rules in the UNC would greatly increase the complexity of the UNC to such an extent that it would make understanding particularly difficult. Additionally, it would make maintenance, interpretation and the drafting of legal changes much harder.

NGT strongly recommends that the operator-to-operator agreements should be contained in a separate document, the Offtake Code.

System Development obligations (SC 5)

We agree that that this condition will need to apply to both the Transmission and DN licences for both safety and practical reasons.

We were asked to consider whether or not any confidentiality issues arise and it does not appear that they do so.

Emergency services obligations

Escapes at DN boundaries

We do not believe that a licence condition is required to obligate a DN to attend and make safe wherever it is notified by Transco Emergency Call Handling service (regardless of whether or not it is within that DN's boundary). Such boundary arrangements are covered by the DN safety cases, which will have to satisfy the stringent requirements of the Health and Safety Executive ("HSE") in being at least as safe as the arrangements that are in place today. Regulation by the HSE carries sufficient incentives on the DNs to ensure that these requirements are fully met and therefore we do not believe that the licences should duplicate this.

The issue of liabilities arising from make safe work carried out incorrectly has little potential to arise. In any event, Ofgem should note that "make safe" in relation to an incident within a customer's property would often be confined to turning the gas off. Where the emergency engineer found an incident on outside apparatus, a repair team would be called – normally from the correct DN. Where the public reported emergency is clearly from an outside source the Emergency Repair Team would carry out the necessary approved operation to make safe the gas escape before handing over the permanent repair to the correct DN.

We do not believe therefore, that a new licence condition is necessary or appropriate.

First response service to iGTs

We consider that a licence condition to provide a first line emergency response service should be required of each DN. Transco currently provides this service to iGTs under a commercial contract only. Under the network sale conditions, all DNs should continue to provide the service to iGTs within the DN boundary under the existing contracts, but the contracts are not enduring.

Transco will continue to provide a Emergency Call Handling service (0800 111 999) for all DNs (and iGT's) in compliance with its obligations under the Gas Safety Management Regulations. Initially the despatch of a DN Emergency Service Engineer to respond to a public reported escape will also be provided under contract to the DN from Transco.

We do not support the extension of the terms of the new licence to include repair activities beyond make safe and/or the first 30 minutes of minor repair. Such extension to the new licence condition would effectively remove any possibility of this activity becoming increasingly contestable in the future and would be inappropriate and potentially anti-competitive. In view of the growth rate on iGT networks, a competitive repair service has to be a possibility at some point – particularly where there are a significant number of iGT properties clustered together in the same geographic area.

First Response emergency service provision to NTS

We support the creation of a new licence obligation, requiring DNs to provide the first line emergency response to the NTS.

In practice, the number of calls that can be identified by the emergency call centre as arising on NTS equipment has not historically exceeded eight per year.

The scope of the service provided will be limited to “incident management” i.e. the engineer will remain on site and protect the safety of the public until the specialist high-pressure pipeline repair team arrives.

The economic case for DNs to provide this is clear. It is important for public safety reasons that a person trained in incident management procedures does attend site within the required time and for NTS to have sufficient personnel to do so would cost NTS (and ultimately consumers) approximately £30 million per annum.

This issue differs significantly from the position with respect to iGTs. The NTS requirement will never be contestable, whereas it may be in respect to iGTs, in certain areas. In addition, the demands of the NTS on DNs is insignificant; there has been no more than eight calls per year with the value of this work approximately £15,000.

Publication of the national emergency number

At DISG, the issue of the publication of the 0800 emergency number by labelling of assets was discussed. It was suggested that this obligation should be extended to DNs, requiring that DNs publish the 0800 emergency number also. This would stop a DN from removing the label that publicises the 0800 number on assets that are currently Transco’s (although it could, of course add its own brand to them without removing the 0800 number). We support this proposal.

Network Code

We continue to support the UNC and short form code proposal. This provides a proper vehicle for considerations of standardisation versus diversity.

We recognise Ofgem’s view regarding the power to modify urgently. While this has not been used extensively, this has been useful when legal drafting issues have arisen and particularly following implementation of new arrangements. We believe that there are benefits to all stakeholders of retaining this power.

We believe that governance of Offtake arrangements should be dealt with in the licence.

A new relevant objective to secure efficiency in the administration of the UNC (and Offtake Code) modification arrangements could be included within the licence in order to underpin the incentive that gas transporters have to resource this as efficiently as possible. However, it is our view that such an obligation of efficient administration should be framed as a requirement that is to be promoted by the Joint Governance Arrangements (which will provide for the administration of the UNC (and Offtake Code) modification procedures).

The BSC sets out the terms of the balancing and settlement arrangements and how these are to be administered by BSC Co so it is therefore appropriate that one BSC relevant objective relates to the efficiency of the implementation and administration of the balancing and settlement arrangements. However, arrangements providing for the administration of the UNC / Network Code (and Offtake Code) modification procedures will not be set out within these codes themselves but will, rather, be contained within the terms of the Joint Governance Arrangements effected through the Joint Governance Arrangements Agreement. Accordingly we would suggest that an efficient administration requirement is more appropriate as one to be promoted by such arrangements rather than as a relevant objective of the UNC.

In addition, now that the network code modification rules are in the network code it seems appropriate to revise the licence condition to reflect this.

Pipeline security standards

The precise licence conditions will need to be determined once further details of the commercial arrangements are defined. The licence arrangements that should be established must deliver a system security standard consistent with that implied by the current methodologies established within Transco. This is likely to involve a 1 in 20 obligation applying to each DN and with the NTS delivering flow capability at the NTS/DN and NTS /connected load interfaces.

It is important however that Transmission has clarity of its role : either the NTS is only expected to provide the capacity booked by all the connectees (DNs, NTS direct connectees & Interconnectors), or some other definition ("1 in 20" obligation, or equivalent). In the latter case, the obligation should provide the necessary clarity, for example how load diversity should be handled.

In the event that the 1 in 20 licence obligation remains in the NTS licence, it seems appropriate to align the definition to be consistent with either the current licence or Network Code. The proposed licence definition should be amended to "... having regard to historical weather data derived from at least the previous 50 years, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years...". i.e. in line with the current licence definition which does broadly align with the Network Code.

One key point is that we need flexibility in the number of historical years used within the calculation i.e. we currently use all the weather data available (75 years), which increases by 1 every year. The current Licence says at least 50 years, the Network Code doesn't stipulate a number and just says a long series, while the proposed Licence suggests using exactly 50. Flexibility in the number of years data to be used is necessary in order to be able to adapt to statistical trends, such as climate change.

Finally, this condition will need to be checked for consistency with the Gas Security of Supply Directive against any requirements in the directive requiring Member States to make certain levels of provision for severe conditions.

The "social" or "retail" licence obligations – ASC17, SC18, SC19, SC19A, SC19B, ASC20, SC21, SC22 and SC23

We note that Ofgem does not propose any substantive changes to these conditions but significantly, while accepting that NTS does not have domestic customers, believes that they should apply to the NTS licence; consistent with the obligations of NTS in respect of all consumers.

Clearly it is important that all domestic customers receive the protection described, however, there is inefficiency in the NTS producing and maintaining such policies while there are no domestic customers connected. We suggest that the condition could be worded to require any transporter supplying one or more domestic customers to have such policies in place.

Long term development statement

We believe that it is appropriate for Transmission to continue with its own NTS Ten Year Statement (TYS) along the lines of the current document with the small distribution section removed. With regard to DNs, consistent with the approach in electricity, there should be

a requirement for a less detailed “mini” development statement similar to the “Long Term Development Plan” produced by the electricity DNOs.

We are not convinced of the merits of a single co-ordinated Ten Year Statement. Assuming DNs will be producing their own statements, this co-ordinated TYS would at best duplicate data already in the public domain or at worst send out confusing messages.

Regulatory accounts (ASC30)

We accept the need for the separate annual reporting of the revenues, costs, assets and liabilities of each DN through the regulatory accounting framework.

ASC 30(2)(c) currently obliges the licensee to procure an audit report on the regulatory accounts containing a “true and fair” opinion. Following a change to audit regulations in 2003, registered auditors are no longer permitted to provide a “true and fair” opinion on regulatory accounts, but must instead provide a “fairly presents” opinion. It appears sensible to use this opportunity to amend the condition to reflect this change in audit regulations.

ASC 30(2)(c) also obliges the licensee to obtain a full and separate audit opinion in respect of each of the regulatory business segments disclosed within the regulatory accounts. It is our expectation that, given the degree of apportionments of costs and working capital, which will be required to separately report on individual DNs, Transco’s auditors are unlikely to be able to provide a “fairly presents” opinion in respect of each and every regulatory business segment. We therefore propose that:

- the audit requirement set out in ASC 30(2)(c) is amended so that the “fairly presents” requirement only relates to the licensed business as a whole (e.g. Transco under the current single licence); and
- the audit opinion given in respect of the individual regulatory business segments is that the revenues, costs, assets and liabilities are “reasonably attributable” to that segment.

ASC 30(6) requires the licensee to produce current cost (“CCA”) regulatory accounts, in addition to its main regulatory accounts, where the main regulatory accounts are not on a CCA basis. Ofgem has consented to remove this requirement from Transco, and also, we understand, from all the other gas and electricity licence holders who have a similar condition in their licences. Given these circumstances, we propose that the opportunity is taken to delete this clause from the licence.

The condition currently obliges Transco to produce an unaudited interim regulatory profit and loss account for each of the regulatory business segments. As far as we are aware, Ofgem makes no use of this information (which is very limited) and therefore proposes that this requirement is dropped from the licence.

We propose that the non-transportation regulatory businesses of Transco, namely LNG Storage, Metering and Meter Reading, are reported in the regulatory accounts of the entity that has legal ownership.

We are of the opinion that the other provisions of ASC 30 do not require any change to meet Ofgem’s proposals or to bring the licence into line with current accepted practice.

Finally, business definitions and implementation dates will need to be considered as the drafting progresses.

Supply point administration services (ASC 31)

With respect to Ofgem's proposal to include this in the transmission licence, it is important that all domestic customers receive the services described, however, there is inefficiency in involving the NTS while there are no domestic customers connected. We suggest that the condition is worded to require any transporter supplying one or more domestic customers to provide this service.

Designated Registrar of Pipes (SC 31)

If this condition is to be placed in the licence of any gas transporter, it should be in the Transmission licence and each DN licence.

We do not agree that a registrar of pipes should be designated at this time. The perceived problem (parallel pipes) that led to this condition being applied has been overcome sometime ago by the removal by Ofgem of the exclusivity in licensed areas for gas transporters. Broadly speaking this works well, with each gas transporter being responsible for its own records and for the provision of information to other gas transporters when required.

To designate a registrar of pipes would have significant cost consequences that ultimately would be borne by consumers. It would also present serious challenges to ensure data was collected consistently, accurately and in a timely manner from all GTs. This could impact the integrity of asset data and this would be detrimental to safety in operational matters.

It should also be noted that to designate a registrar of pipes would be inconsistent with the approach taken in water and electricity, where the decision not to have a central repository has also worked well.

Business separation licence conditions

We will be responding separately on this issue. We support an approach which is broadly consistent with the electricity licence conditions but recognises that in practice, the scope for undue discrimination from network monopoly to network monopoly is considerably less than the scope that exists between a competitive supply business and a network monopoly. The appropriate solution will recognise this and require fit for purpose solutions.

We are comfortable with the continued application of Standard Condition 41, Prohibition of Cross Subsidies, provided that it does not prevent the continuation of current purchasing arrangements.

Financial ringfence licence conditions

We believe that legal separation between the NTS and DN operating activities need not result in significant additional financing costs for NGT's UK gas group of companies (the "Group").

To avoid disadvantages to existing lenders, increased future refinancing risk and increased cost of new debt, the simplest solution would be to create what would effectively be a single financial ring-fence around the Group. This would remove restrictions on guarantees, dividends, lending and cross default between Group members whilst retaining these restrictions on transactions between a Group member and another entity. This could be achieved by retaining all of the ring-fence licence conditions within

the NTS and DN licences and the granting of unlimited derogations from the restrictions of these licence conditions for transactions with other wholly owned Group companies.

Special Condition 2 – Restriction on Activity and Financial Ring – Fencing

Special Condition 2 currently references the licensee's inability to conduct any business or carry on any activity other than the Transco Business. It is recognised that such a reference will not be appropriate for the NTS and DN GT licensee's going forward and the suggested approach which would, instead, reference the "permitted purpose" activities of the licensee (as defined in a standard special condition reflecting the current Amended Standard Condition 32) is supported by NGT. It should be noted that the scope of the "standard" "permitted purpose" activities will need to be amended in the NTS licence (by way of a standard special or a special condition (as the case may be)) in order to reference the LNG Storage Business.

We support Ofgem's proposal to retain the definition of "investment" as it currently appears in paragraph 4(d) of Special Condition 2. It is critical that, for the purposes of calculating de minimis business investment, account is taken of income received by the licensee from such investment. Without this amendment to the standard condition definition, the inability to take account of income received makes it increasingly difficult for the licensee to carry on de minimis activities as time passes.

We therefore support the proposed approach of removing this condition and reinstating Standard Condition 43 together with such accompanying special conditions as are required to deal with this issue.

Special Condition 3 – Availability of Resources

We support the Ofgem proposal that the provisions of this condition should be retained in NTS and each DN licence as a standard special condition in place of Standard Condition 44.

It should be noted that the activity to which the licence obligation relates (the business activity which the licensee must have sufficient resources to properly and efficiently carry on) will need to be amended to reflect any decision that the LNG Storage Business will only apply in the NTS licence.

Standard Condition 45 – Undertaking from Ultimate Controller

We support the Ofgem proposal to adopt the standard form of Standard Condition 45 in all NTS and DN GT licences

The provisions of Standard Condition 45 differ from the Amended Standard Condition 45 in Transco's licence only to the extent that they require the ultimate controller ("the covenantor") to procure that any person which is a subsidiary of or controlled by the covenantor will refrain from particular action whereas the underlined text does not appear in the Amended Standard Condition 45.

Special Condition 4 – Investment Grade Issuer Credit Rating as Issuer of Corporate Debt

Acknowledging that Special Condition 4 differs from Standard Condition 46 only to the extent that it includes a definition of "corporate debt" (which only appears in the title of the condition) and makes cross references to amended standard and special conditions, we support the Ofgem proposal to remove this condition and reinstate the provisions of standard Condition 46 in all NTS and DN GT licences.

Note however that if a licensee has no external debt in issuance then it will not have a credit rating on its long-term debt. In these circumstances, the requirement to maintain an investment grade credit rating should not apply.

Amended Standard Condition 47 – Indebtedness

We note that Ofgem proposes to amend the current provisions of Amended Standard Condition 47 and revert to the standard form of Standard Condition 47 in all NTS and DN GT licences. As a consequence, it is also proposed that Special Condition 5 is not reproduced in the NTS and DN GT licences given that the standard cross default obligation provisions are contained in Standard Condition 47.

One of the effects of this proposal will be the removal of the provision within Amended Standard Condition 47 that confirms the licensee's ability to retain certain pre relevant date guarantees. Provided that consents will be granted to continue to permit existing pre relevant date indebtedness (to the extent that these remain outstanding), we are supportive of this proposal.

Special Condition 5 – cross – default obligations

We note that Ofgem is proposing not to reproduce the provisions of Special Condition 5 in the NTS and DN licences and to revert to the standard cross default obligation provisions which form part of the terms of Standard Condition 47 (as to which see above).

One of the effects of this proposal will be the removal of the provision within Special Condition 5 which confirms the licensee's ability to permit to remain in **effect certain** arrangements incorporating cross default obligations. Provided that the preservation of existing arrangements incorporating cross-default obligations continues to be permitted and this is provided by way of consents, we support Ofgem's proposal to remove Special Condition 5 and reinstate Standard Condition 47.

Operational Guidelines for Balancing (Sp C 17)

We support Ofgem's suggestion in paragraph 5.313 to remove Special Condition 17 from the NTS licence. This is replaced by Special Condition 27.

Prohibited procurement activities (Sp C 26)

Special Condition 26 currently refers to both balancing management and constraint management and it is our view that it would be appropriate for the NTS licence condition to continue in its current form to ensure that it covers both of these activities.

The DN licences could be limited to capacity management and the procurement of gas to cover shrinkage requirements. However the development of this condition will require careful consideration as the exit arrangements develop. Transportation commodities, which include balancing trades, for example, are envisaged to be out of scope of the current active DN model.

Licensee's procurement and use of system management services (Sp C 27)

The current condition applies to the NTS and could effectively be preserved in existing form in the NTS licence.

The scope of the DN Licence condition warrants a more detailed consideration. Whilst an active DN model is envisaged it is not envisaged that the DNs will be involved to the same extent in the procurement of system management services (when compared with NTS). For example it may be appropriate to consider a significantly abridged version which excludes all references to balancing transactions (other than gas procurement to cover

shrinkage requirements) given that in the active DN model the DN will be operating the NTS/DN offtakes and so will be able to influence physical flows without recourse to the rather less direct tools that the NTS has to use in the context of managing the overall system balance.

Price Control licence conditions

Shrinkage

In paragraph 5.363, Ofgem makes reference to “changes to the price control treatment of shrinkage arrangements”. We would welcome further discussions with Ofgem to try to understand the thinking behind this statement. At present, NTS shrinkage is covered by the NTS system balancing incentive scheme, whereas DN shrinkage is funded as part of the opex allowance within each DN price control. We do not believe that this would need to change on account of the sale of one or more DNs.

Re-opening of price controls

We welcome the view expressed by Ofgem in paragraph 4.26 that “it would not be appropriate to reopen Transco’s price control on account of the sale of one or more DNs”. The price controls were set and agreed upon assuming that certain arrangements would endure until April 2007. With this in mind, it does not seem appropriate to make any changes to the output measures within Schedule A of the GT licence (as suggested in paragraph 5.421). If there were any requirement for a more detailed specification of the level of exit capacity offered (i.e. at NTS Offtake level rather than DN level), this could be addressed within an Exit Capacity Release Methodology statement.

Exit Code Statement (Sp C 37)

Special Condition 37 requires the preparation and submission of an exit code statement each year, including a description of activities and services provided and revenues received between NTS TO, NTS SO and LDZ.

With the introduction of NTS Exit arrangements, this condition would no longer seem appropriate.

LNG Storage

It is our view that LNG Storage should only be referenced in and regulated through the NTS licence. There are three principal reasons for this:

- The LNG Storage facilities are, and have always been treated as NTS connections;
- The commercial arrangements for LNG Storage are set out in Section Z of Network Code, and apply with respect to injection and withdrawal flows and nominations from and to the NTS; and
- The day-to-day commercial operations relate specifically to NTS entry and exit nominations.

The ancillary flows of gas in to four DNs that result from LNG boil off and reject gases are relatively insignificant, in comparison to NTS flows, and do not warrant commercial arrangements. The continuation of these DN flows will however be secured by DN Network Entry Agreements (“NEAs”) between LNG Storage and the DN owners. These NEAs are physical connection agreements that include provisions for the discontinuance of flows in the event that gas quality becomes an issue. They do not however, incorporate commercial arrangements.

System Operator Managed Services Agreements (“SOMSAs”)

We agree that the SOMSAs should not be regulated for the reasons that have been consistently presented through the industry workgroups.

Implementation of gateway requirements

Ofgem considers that it may be necessary to place licence conditions on NTS and or NGT's retained DNs requiring implementation of arrangements that cannot be delivered for 1 March 2005. These could include :

- allocation of roles and responsibilities between NTS and DNs
- agency and governance arrangements
- offtake arrangements
- interruptions arrangements
- any other required

These should be considered in relation to an appropriate implementation plan for the proposed new offtake and interruption arrangements.

Governance of technical standards for operational procedures and making connections

Regarding connection technical specifications and operational procedures, we support a proposal for common standards in areas where there are none, but through industry codes of practice, not through the gas transporters' licences. These will ensure consistency and commonality of approach.

There are already standards in place. For adoption work there is a common IGE/TD/101 standard and Industry GIRS Registration scheme. IGE/TD3 & TD4 cover most technical specifications for both connection works as well as main laying and service laying.

It would be beneficial to have common operational procedures for live connection works. We have already suggested this with the industry iGT group suggesting that Transco's SCO process (the permitry system) could be used as a model for the industry and further developed and owned by IGEM as a supplement to IGE/GL6. We currently require all UIPs and iGTs making live connections to Transco's Network to follow Transco's SCO process.

A key part of SCO is the need to validate the competence of the persons overseeing live connection works (Competent persons and Authorising Engineers). Again we have already suggested within the industry iGT group that there should be a common competence validation process and validation company - the Gas Industry Registration Scheme could be developed to provide this service on behalf of the industry. Currently each GT has their own validation process, which hinders the movement of individuals working on different GT Networks, results in inconsistent treatment for individuals and reduced efficiency for GTs.

Arrangements for gas measurement

Given that the informal arrangements appear to be working at present, it would seem reasonable to continue with the present flexible process and only introduce a more formal approach should it prove necessary.

Proposed condition imposing a requirement not to prejudice the system of other GTs

We are supportive of a licence condition requiring this, as set out in paragraph 6.14 of the consultation paper.

Letter of understanding regarding interruptions due to water ingress

Transco has a Letter Of Understanding (LOU) with Ofgem relating to interruptions caused by third parties or water ingress from the failure of water authority plant. This broadly mirrors the Guaranteed Standards of Service Obligations for failure to restore supplies within 24 hours. If it was always the intention to formalise this LOU into a new licence condition, it would seem that this is an appropriate time to do this otherwise consumers in networks operated by other DNs potentially will not be entitled to receive compensation without similar LOUs from the new DN owners.

Finally, we are supportive of the progress made on the development of licences to support network sales and we have commented as fully as possible at this time. This response is made on the basis that there will need to be continual review of the above and licence issues generally as certain arrangements become clearer. We shall of course, be monitoring and contributing to the development of these through the industry processes.

If you wish to discuss any aspect of this response please do not hesitate to contact me on the above number or Sue Higgins on 01926 656458.

Yours sincerely,

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