



Consultation regarding the proposed grant of new additional GT licences to Transco plc

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Background

- As part of its proposed sale of DNs, in July 2004 Transco applied for 8 new additional gas transporter licences
- The applications requested that Transco be authorised to:
 - Convey gas through pipes to any premises in its authorised area; and
 - Convey gas through pipes to any pipe-line system operated by another GT
- The applications requested restricted geographical authorised areas

Grant of licence consultation

- Notice under the Gas Act regarding the grant of new additional GT licences issued by Ofgem in July 2004
- Views invited regarding key issues including:
 - the number of additional licences to be granted;
 - The scope of the authorised area of each new additional GT licence.
- Proposals open to consultation for a period of two months
- In September 2004 Ofgem published its initial thoughts on restructuring of Transco plc's existing GT licence and, if granted, the new additional GT licences

Responses

- Six responses were received
- Two respondents supported the proposals and considered that the new additional GT licences should cover the whole of GB
- Four respondents opposed the grant of new additional licences to Transco. Some had concerns that:
 - Transco would operate the DNs under separate licences;
 - GB wide authorised areas could have an impact on competition;
- IGTs raised wider issues in relation to Transco's proposed sale of DNs which will be considered as part of the wider sales process

Ofgem's Initial View

- Grant five new additional GT licences to Transco:
 - One for each of the four DNs it has contracted to sell;
 - One for Transco's remaining businesses
- Reflects Authority decision not to insist on DN-DN separation
- Authorised area will cover the whole of GB in order to facilitate competition between the DNs

Caveats

- The grant of the new additional GT licences should not raise any expectations on the part of NGT, Transco, DN purchasers or any other person as to what the Authority's final decision in relation to the proposed transaction may be or as to the regulatory framework which may be implemented if the Authority consents to the proposed transaction.
- The grant of the new additional GT licences should not be construed as granting any rights to any person or imposing any obligations on the Authority in relation to Transco's proposed sale of its DNs.
- The Authority's discretion in relation to Transco's proposed sale of DNs will not be fettered by the grant of the new additional GT licences to Transco.

Revocation conditions

- The Authority will reserve the right to revoke the new additional licences if:
 - The Authority does not grant its consent to the proposed sale of DNs;
 - Completion of the proposed sale of DNs does not take place in the specified time period;
 - Transco does not comply with any of the conditions which the Authority may attach to its consent, if granted;
 - Fewer than five licences are required.

Way Forward

- STEP 1: Grant of new additional GT licences to Transco
- STEP 2: Amend Transco's current GT licence and the new additional GT licences
- STEP 3: Transfer the new additional GT licences from Transco to wholly owned Transco subsidiary companies (DN companies)



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