

A close-up, slightly blurred image of electrical components, including a white plastic outlet with three gold-colored pins and a metal terminal block with several wires connected to it. The image is overlaid with a semi-transparent blue filter.

## Potential conditions to Authority's consent (*if granted*)

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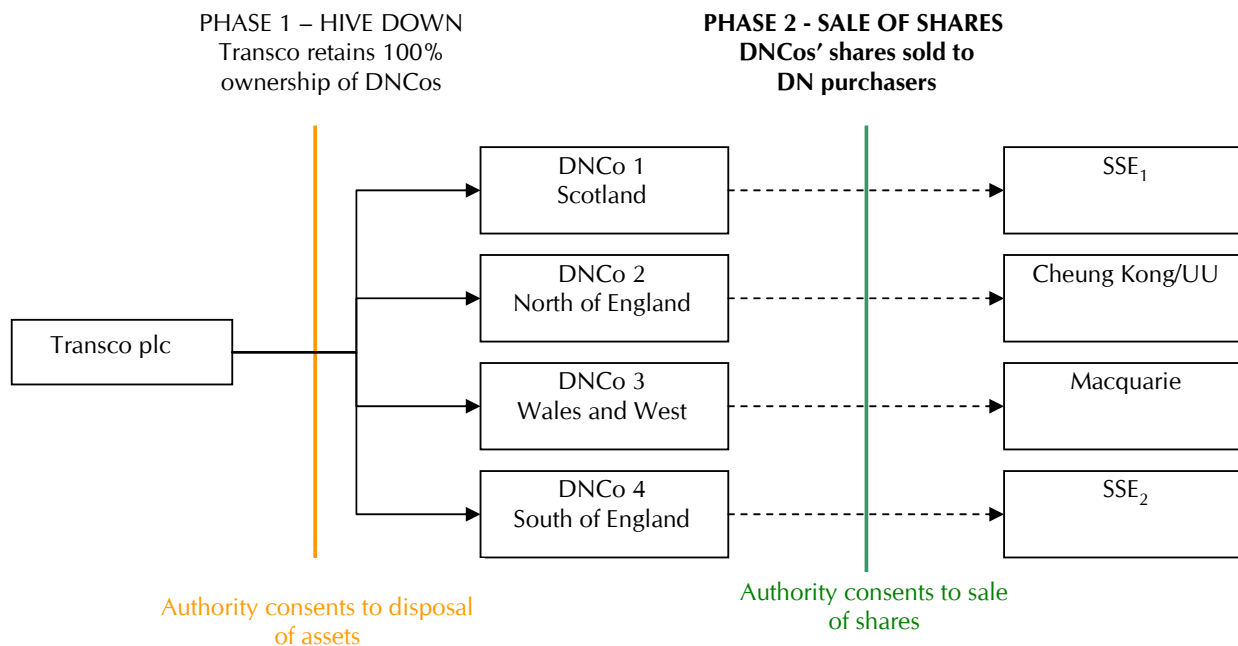
# Introduction

- Disposal of DN requires Authority's consent under ASC 29 of Transco's original GT licence
- Authority expected to consider consent at January 05 meeting
- Authority entitled to impose conditions to consent (if granted)
- Whether conditions are imposed, their nature and extent is a matter for Authority to determine

# Authority's objectives

- Authority needs to have regard to:
  - its principal objectives and statutory and other duties as set out in the Gas Act;
  - its public law duties.
- In determining whether to grant its consent and apply conditions to such consent, Authority should seek to protect interests of existing and future customers.

# Proposed structure of transaction



# Rationale for potential conditions

- Authority to consider issue of consent based on general policy proposals for the divested industry structure.
- Should Authority consent in Jan 05, then.... details of commercial, operational and regulatory arrangements still need to be developed.
- If consent is granted, Authority may wish to attach conditions relating to (amongst other things):
  - Licence arrangements
  - Network Code arrangements

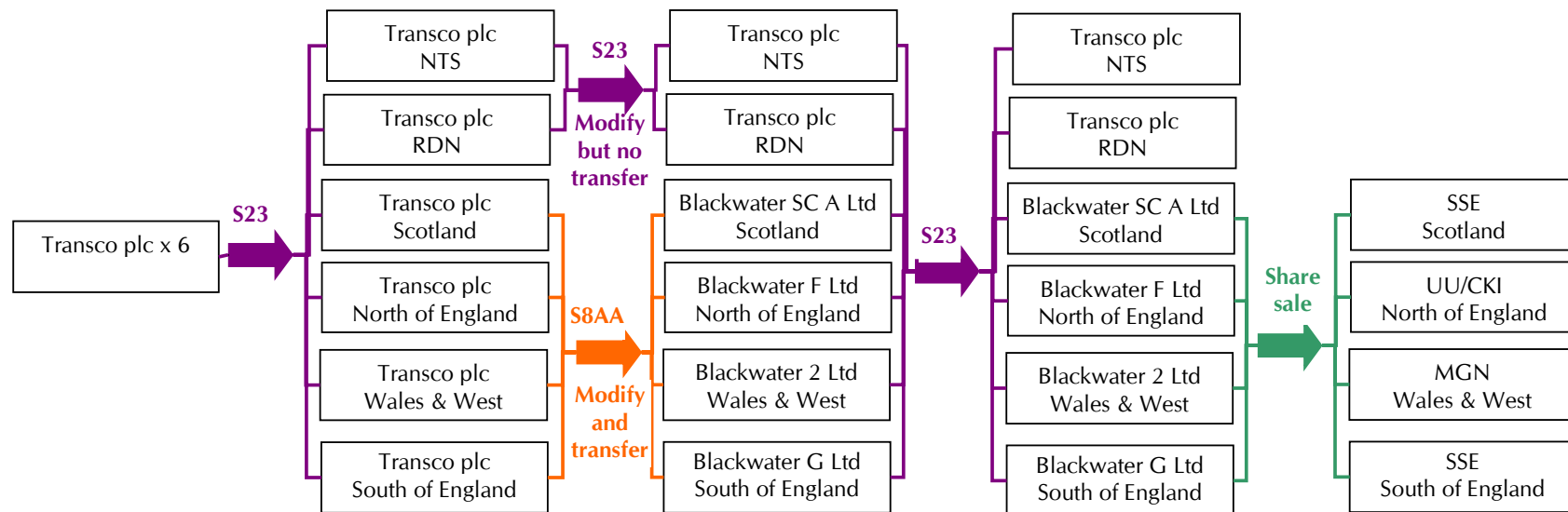
# Process for licence restructuring

**STEP 1**  
Separate price controls

**STEP 2**  
Extensively modify licences & transfer DNs to be sold into 100% Transco owned new legal entities

**STEP 3**  
Final licence modifications to introduce final arrangements (inc incentives)

**STEP 4**  
Shares in new legal entities sold to new owners



## Conditions – scope

- If Authority consents, ASC 29 conditions likely to address 2 phases of transaction - hive-down and share sale
- Hive-down conditions – need to be met before Authority consents to hive-down:
  - Likely to, amongst other things, relate to successful completion and implementation of Step 1, Step 2 licence processes + satisfactory UNC arrangements
- Sale conditions – Transco cannot sell shares without further Authority consent
  - Consent to sell shares may be conditional upon completion and implementation of Step 3 licence process