

**BOC GASES (BOC) COMMENTS ON NATIONAL GRID TRANSCO (NGT) –  
POTENTIAL SALE OF NETWORK DISTRIBUTION BUSINESSES,  
OFGEM, FINAL IMPACT ASSESSMENT 2004 255/04A**

BOC understands that the Gas and Electricity Markets Authority (the Authority) is scheduled shortly to make a decision as to whether to grant consent to NGT for the sale of one or more network distribution businesses.

BOC is a large electricity and natural gas customer. BOC is therefore very concerned to see that monopoly services are provided at the lowest possible cost consistent with a good quality and reliable service provision.

BOC welcomes the opportunity to comment on the potential sale. BOC hopes that these comments will be taken into consideration together with any other comments or representations the Authority may have received, when coming to its decision(s).

Accordingly, BOC's comments are set out below: -

1. BOC believes that the Authority should not approve the sale unless this results in early clear concrete benefits for gas customers.
2. BOC feels sure that this is in line with the Authority's view with its principal objective to protect the interests of customers.
3. BOC is concerned that the costs arising as a consequence of DN sales are certain to arise and that they will occur in the near future whereas the potential benefits are much more uncertain and if they arrive this will be a long way into the future.
4. BOC hopes that when GEMA are considering the estimated financial and non-financial benefits from a post DN sales regime. In particular that they are able to consider the benefits net of any benefits that could be expected to occur as a result of OFGEM's developing regulation of a system in which DN and NTS assets remain in single ownership. BOC believes that it is unrealistic to believe that no DN sales result in regulation that ossifies.
5. BOC does not understand why Ofgem has decided not to take the opportunity to seek customer savings from gas pipeline operators before the end of the existing price control period.
6. BOC believes that the new systems required for the physical and commercial systems are likely to provide a barrier to entry for new gas suppliers and are likely to hasten the exit of some existing suppliers. This will have a damaging effect on competition.
7. BOC believe that a post DN sales world will put an additional burden of complexity on customers which they can ill afford.

Hugh Mortimer, BOC Gases, 13 April 2004