



---

*Bringing choice and value  
to customers*

Chris Train  
National Grid Transco  
NGT House  
Warwick Technology Park  
Gallows Hill, Warwick  
CV34 6DA

Direct Dial: 020 7901 7412  
Email: [sonia.brown@ofgem.gov.uk](mailto:sonia.brown@ofgem.gov.uk)

13 April 2005

Dear Chris,

**Gas distribution network sales - Open letter to Transco requesting update on process regarding conditions precedent of the Authority's consent directions**

As you will be aware, on 20 January 2005, the Gas and Electricity Markets Authority's (the "Authority") provided its conditional consent to Transco's application to dispose of four of its gas distribution networks ("DNs") subject to the satisfaction of a number of conditions. The Authority's consent direction was issued under Amended Standard Condition 29 of Transco Gas Transporters Licence in response to the application for consent made by Transco on 11 January 2005.<sup>1</sup>

The conditions to consent fall into two broad categories; conditions precedent, which must be satisfied before hive down may occur,<sup>2</sup> and conditions subsequent.<sup>3</sup> The Authority is scheduled to consider a number of issues associated with DN sales later this month, including whether the conditions precedent have been met.

For the avoidance of doubt, nothing in this letter fetters the discretion of the Authority in relation to DN sales generally, including without limitation, any decisions in respect of the proposed licence modifications and/or any modifications which may be proposed to the Network Code, the proposed Uniform Network Code (UNC) and/or the various short form codes.

Against this background, Ofgem would like to request that Transco provide an assessment of the extent to which each of the conditions precedent have been met and specifying how, in its view, this has been achieved. As a part of this process, in respect of the condition precedent set out in paragraph 21(d) of the Authority's consent direction, we would like Transco to provide:

---

<sup>1</sup> *NGT – Sale of gas distribution networks: Authority decision – Transco plc applications to dispose of four gas distribution networks, Decision document Ofgem, February 2005 21/05, Appendix 1*

<sup>2</sup> The Authority has specified that the conditions precedent should be satisfied in full on or before 1 May 2005. The detail and criteria are more fully described in paragraph 22 of the Authority's consent direction.

<sup>3</sup> The conditions precedent are set out in paragraph 21 and conditions subsequent are set out in paragraph 23 of the Authority's consent direction. *NGT – Sale of gas distribution networks: Authority decision – Transco plc applications to dispose of four gas distribution networks, Decision document Ofgem, February 2005 21/05, Appendix 2*

- ◆ a summary of responses to Stage 2 of the consultation of the network code arrangements which closes on 12 April 2005<sup>4</sup>;
- ◆ a table which sets out Transco's view of issues raised in responses, including;
  - any issues that it considers to be material and which would therefore warrant further consultation before hive down can occur; and
  - any issues raised which it considers while not to be material in its view appropriate to address in future and how it propose to do so;
- ◆ a list of any typographical errors which Transco would proposes to address and how this would be done; and
- ◆ having regard to respondents' views, the version of the UNC that Transco proposes to implement in the event that the Authority decides to allow hive-down, and an assessment of whether it is Transco's view this version of the UNC is in a form which is sufficient to allow hive down to proceed and its reasons for this assessment.

In addition, Ofgem requests that Transco's report provides an update on the status of both Transco's and Users' development and implementation of the IT systems required to support share sale, including a description of the progress of end-to-end system testing.

As we consider that this report will be of interest to a broad range of industry participants, this letter and Transco's response (insofar as it is not confidential) will be published on Ofgem's website.

I would be very grateful if you could provide the assessment by no later than 12 noon on Monday 18 April 2005. If you have any queries or comments, please don't hesitate to contact me or Jessica Hunt on 0207 901 7431.

Yours sincerely,

Sonia Brown  
**Director, Transportation**

---

<sup>4</sup> 73/05 – Ofgem Open Letter Gas Distribution Network Sales –consultation on Network Code Arrangements, March 2003 and 99/05 – Ofgem Open Letter Gas Distribution Network Sales - Stage 2 of consultation on the Network Code Arrangements. Responses to both stages of this consultation are available on the Gas Distribution Network Sales page of Ofgem's website.