

Electricity Supply Board
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Sonia Brown
Director, Transportation
Ofgem
9 Millbank
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**RE: Sale of Distribution Networks
by National Grid Transco
Formal Consultation under section 23 and 8aa of the Gas Act**

Dear Sonia

Electricity Supply Board (ESB) operates both as a UK Shipper and an Irish Shipper, solely to supply our suite of gas plants within our electricity generation portfolio. We welcome the opportunity to comment on the potential sale of four of the NGT's distribution networks (DNs). ESB has no objection in principle with the sale of the DN's.

However, we would like to express our concern and opposition to the proposed exit reform regime. It is our opinion that the proposed exit reform regime is not required for the DN's sale and it only has a negative commercial and operational impact, primarily on the end users (industrial customers and generators).

We have outlined below our key concerns that we have based our opposition on:

- The proposed Exit regime regulation will have a negative impact on the regulated and highly opened gas market in Ireland. We see this regulation as having the same effect on Ireland, Northern Ireland and The Isle of Man as other European states regulation / openness is perceived to be impacting on the British Gas Market.
- It is our opinion that (industrial customers and generators) will carry the operational and price risk in the proposed new regime. In the case, where the Shippers will book the capacity, but customer will make the decision on trading off whether to book through Long or Short Term auctions. The shipper will be invoiced for the capacity booked, but in many bilateral contracts with large customers in the industry, the transportation is on a pass-through basis. Therefore all price risk will be taken by the consumer.
- We assume that new entrant connections will be either new power stations or industrial load customers. If this is the case, then the competition for capacity rights is between consumers. This we feel will act as a deterrent to new entrants in the Irish Energy market, due to the uncertainty and additional risks that would be imposed upon them, thus hindering the opening up of the Irish energy market as directed by the EU.
- Ofgem has not sought the views of shippers, interconnector operators, storage operators or connected countries. Therefore its previous impact assessments are insufficient. Again, we recommend that this licence condition is not implemented.

We the Electricity Supply Board are opposed to the exit reform regime and we see this mechanism as having a significant negative impact on the efficiency and effectiveness of the gas market and transportation system supplying the island of Ireland.

Yours sincerely

Conor Purcell
Manager Gas Regulation
Energy Trading & Regulation