

Sonia Brown
Director, Transportation
Ofgem
9 Millbank
London SW1P 3GE

Date: 15th April 2005

Dear Sonia,

**Potential Sale of Distribution Networks by National Grid Transco
Formal Consultation under section 23 and 8aa of the Gas Act**

I refer to the above document published by Ofgem in February 2005.

Bord Gais Eireann does not have any opposition to the Sale of the DN's by NGC but have a number of issues of concern regarding the proposed licence changes and the implications and due process requirements of these changes

Our concern surround the Authority's reasons for implementation as set out in their February decision document seems to be incomplete and insufficient. For this reason, we object to implementation by the Authority of the proposed licence conditions in their current form. We have no wish to delay the sale itself and have no opposition to the sale but consider that the licence change issues warrant serious re-consideration.

We suggest that those licence conditions which are essential to the DN Sales project are implemented but the remainder be subject to a full and frank review and potentially re-consultation and follow due process correctly

"Best endeavours" obligation by its nature requires that a full and detailed impact assessment is carried out including the financial and operational effects. This has not as yet been carried out.

The effect of the proposed Exit Reform Arrangements have an adverse effect on Storage Operators, Shippers, Suppliers and end users not only in the UK but further a field and will directly negatively effect competition in Ireland, Northern Ireland and the Isle of Man. The value of this impact has as yet to be quantified.

Failure to perform a full and detailed impact study will be complete disregard for due process and be a failure by NGC to perform their proposed "Best endeavours" licence obligations.

We object very strongly as does all Shippers and Suppliers both upstream and downstream of Moffat to the proposed Exit Reforms and believe the financial and operationally negatively impact these Shippers and Suppliers.

At present there are extensive and detailed legal agreements in place at Moffat and the cost and time implications alone to alter all these contracts to accommodate the Exit Reforms would be considerable not to mention purchase and sales contracts between Irish and UK counter-parties. This is just one of many possible examples.

We also fail to understand the concerns that the Exit Reforms are endeavouring to address and we do not believe these concerns to be of a significant nature on the majority of occasions. This issue of constrained NTS flexibility should be dealt with in a similar mechanism as NTS emergencies and the proposed "Best endeavours" licence requirements obliges NGC to consider this as alternative should this be a least impact and more suitable option.

We also believe that NGC and Ofgem need to consult with the wider audience including parties outside the UK to which these Exit Reforms will impact and commence a full and detailed impact study prior to implementing the licence conditions and Exit Reform Arrangements. Failure to do this would, we believe, result in a failure by NGC to perform their proposed "Best endeavours" licence obligation.

We hope you will consider the above comments and look forward to your reply on these issues.

Yours sincerely

Brian O' Shea
Contract, Supply &
Operations Manager