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Dear Bimbola,

## **GAS DISTRIBUTION LICENCE REVIEW (GDLR) - PROPOSALS FOR LICENCE STRUCTURE**

Thank you for the opportunity to comment on the above consultation as Ofgem makes clear the focus is the restructuring of the present Gas Transporter (GT) licence ahead of a review and re-draft of GDN standard and standard special conditions. The consultation sets out four options for licence restructuring:

1. Transfer all NTS and GDN conditions into the Standards Special Conditions (Part B NTS and part D GDNs)
2. Transfer all NTS and GDN conditions into the Standard Conditions but separate sections for IGTs, NTS and GDNs.
3. Transfer all Standard Conditions and relevant GDN Standard Special Conditions in Part A that are specific to the NTS or GDNs into Standards Special Conditions Part B NTS and part D GDNs.
4. Leave the licence structure as it is.

It is clear from the consultation that a key objective for Ofgem in restructuring of the GT licence is to achieve greater or full separation of GDN, NTS and IGT licence conditions. While NGN agrees that such separation would deliver certain benefits this objective must be balanced against the impact of the resultant workload in terms of redrafting the GDN licence conditions. The latter point is particularly pertinent as the review will run concurrent with the Gas Distribution Price Control Review (GDPCR 2) which will naturally be a draw on GDN resources during the same time.

Taking all of these issues into account NGN is firmly of the view that option 3 is the best option out of all four above. This option would achieve a "functional" separation of GDN, NTS and IGT conditions as Ofgem notes this would deliver a more coherent licence structure which is clearly of benefit to all parties concerned. NGN believes that the number of GDN specific conditions that would be in scope for subsequent redrafting is manageable within the remaining timescales for the licence review which will run for much of 2011.

Options 1 and 2 go further than option 3 by separating all licence conditions and there would be substantially more GDN specific conditions created increasing the level of redrafting in the second phase of the GDLR. NGN is not convinced that the effort and resource required to facilitate options 1 and 2 is commensurate with the benefits of the additional [licence] separation achieved. Furthermore NGN believes the GDNs will find it challenging to deliver options 1 and 2 given GDPCR 2 and other demands on GDN resources. NGN also believes option 4 is less optimal than option 3 as in order to have a GDLR under option 4 conditions

common to the GDNs, NTS and IGTs would be subject to redrafting which as Ofgem notes would require the GDLR to be expanded to include the latter two.

In conclusion NGN believes Ofgem should pursue Option 3 for restructuring the GT licence as part of the GDLR, it clearly delivers much of Ofgem's stated objectives and would benefit all parties by delivering functional separation and a more coherent GT licence structure. NGN also believes Option 3 is the most achievable option given the constraints on GDNs' time and resources notably from GDPCR 2.

Please let me know if you would like any clarification of any aspect of this response. Our response can be regarded as non-confidential.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Haren Thillainathan', with a horizontal line underneath.

**Haren Thillainathan**  
**Regulation Manager**