

Any interested party

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Dear stakeholders

Open letter: Sale of National Grid's Gas Distribution Networks Business

In November 2015, National Grid publicly stated that it is planning to sell a majority stake in its UK Gas Distribution Network business, presently owned by National Grid Gas plc ('NGG'). Currently, NGG owns four out of the eight Gas Distribution Networks in the UK. Its distribution network delivers gas to around 10.9 million consumers.

National Grid has written to us to say that it is in early stages of discussions in relation to the details of this sale.

The proposed sale will require our consent in two key areas. First, we expect NGG to request our consent to transfer gas distribution network assets outside of its operational control, most likely into another subsidiary held by National Grid. Second, we expect NGG to request our consent to transfer its gas distribution licence. These arrangements may also result in the need to modify the gas transmission licence held by NGG. We expect to receive these requests shortly.

In light of National Grid's announcement, we confirm that we will conduct a consultation on the matters above in due course with stakeholders.

In the meantime, if you have any queries or concerns please contact either Paul Branston or Rupika Madhura (Rupika.Madhura@ofgem.gov.uk).

Yours faithfully



Paul Branston
Associate Partner, RIIO Networks