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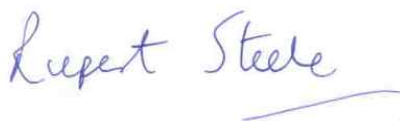
Dear Rupika,

National Grid Sale of Gas Distribution Network Business: Consultation on Regulatory Aspects

Thank you for the opportunity to respond to this consultation. In summary, we agree with Ofgem's assessment that the transfer across of National Grid's gas distribution business and licence, from National Grid Gas Plc (NGG) to the wholly owned subsidiary NewCo, should be relatively low risk. We support the proposal to transfer the backstop meter provider of last resort (BMPOLR) to the gas transmission business (NTS) and Ofgem's proposed conditions to any consent to the transfer.

Our answers to the consultation questions are in Annex 1 attached. If you have any questions regarding this response please do not hesitate to contact me.

Yours sincerely,



Rupert Steele
Director of Regulation

**NATIONAL GRID SALE OF GAS DISTRIBUTION NETWORK BUSINESS:
CONSULTATION ON REGULATORY ASPECTS - SCOTTISHPOWER RESPONSE**

Question 1: What is your view as to which entity, and therefore licence should hold the BMPOLR obligations and why, in the event the proposed asset and licence transfer takes place?

We agree with the proposal that the BMPOLR obligation should be transferred to the gas transmission licence held by National Grid's National Transmission System (NTS) business. As noted in the consultation, the current obligation held by National Grid Gas Distribution is discharged by National Grid Metering which will remain 100% owned by National Grid. Therefore we agree that transferring the obligations to the NTS will be the least disruptive to the existing contracts between National Grid and suppliers. Overall we believe this is the most expedient approach given that the MPOLR obligation may not be needed beyond the onset of suppliers' "New & replace" obligation for smart meters.

Question 2: Do you have any comments in respect of Xoserve's arrangements as a result of the proposed hive across of National Grid Gas Plc (NGG)'s gas distribution business to NewCo?

We broadly agree that the proposed transfer should not in itself impact Xoserve in terms of its resources and service provision.

Question 3: Do you have any comments on the impact of the proposed hive across on the Joint Office arrangements?

Again we broadly agree that the proposed hive across should not impact the current Joint Office arrangements.

Question 4: Do you have any comments on the provision of the 0800 emergency number, in the event the proposed asset and licence transfers take place?

We agree that it is appropriate that the provision of the 0800 emergency number should remain with the gas distribution business when it is transferred into NewCo and continues in the event of a sale of a majority stake in the company by National Grid.

Question 5: What are your views on the need for compliance requirements (additional to those of other relevant gas transporters) in NGG's gas transmission licence and NewCo's gas distribution licence, in the event the proposed licence and asset transfer takes place?

We agree it is appropriate to retain the licence obligations referred to, given that NewCo will continue to be a subsidiary of National Grid, whilst legally separate from NGG.

Question 6: Are there any other concerns or issues regarding on NGG's obligations potentially affected by the proposed hive across you would like to raise?

No.

Question 7: Do you have any comments on the Authority's proposed conditions on the asset transfer or any other conditions you would like to raise?

We agree with the proposed precedent and subsequent conditions and we do not propose any additional ones.

Question 8: Do you have any comments on the detail of the proposed licence amendments?

We think Ofgem has identified the amendments necessary to facilitate the "hive off" and, as far as we are able to determine, the proposed draft amendments reflect the policy intent set out in this consultation.

ScottishPower

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