



## **Consultation on National Grid's sale of Gas Distribution Network business - consultation on regulatory aspects**

### **Response from E.ON**

#### **General Comments**

The sale by National Grid of its distribution business should be undertaken in a way to ensure that the services that we and our customers receive are not affected in anyway.

We appreciate the consultative approach that National Grid has undertaken to date but there are a few areas where additional transparency and reassurance would be appreciated.

These areas are those identified by Ofgem in this consultation (e.g. Xoserve and the Joint Office) and we would look forward to seeing meaningful results.

#### **Consultation Questions:**

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

We do not foresee any issue with the proposal for the BMPOLR obligations to remain with NGG rather transferring them to the NewCo. This should involve less disruption and therefore potentially less risk to stakeholders and users of this service. We therefore support the option suggested by National Grid.

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

We note National Grid's view that sale of their distribution business should not have an impact upon Xoserve (...there will be no impact to Xoserve or the services it provides as a result of the Gas Distribution Sale...). We understand the logic of this argument based upon the fact that neither the UNC nor the ASA agreement is being amended.



However it wasn't clear to us from either this consultation and nor from National Grid's publications earlier this year whether there would not be corporate and operational impacts which ultimately may have an impact upon the service that Xoserve provides to us.

Although we do not have sight of the specific details involved from the consultation it would seem that Xoserve is currently a subsidiary of National Grid as it owns the majority of its shares. Once the sale and share transfer has taken place this would no longer be the case and National Grid would no longer have a controlling stake in the company.

It has not been made clear to us what implications that this may have for the operational delivery of the business and the staff that are currently employed in the organisation. For example we have been told anecdotally that Xoserve staff are currently members of the National Grid pension scheme. Changes to these arrangements may have an impact on the moral and level of service that we receive from Xoserve.

Considering Xoserve is currently in the process of delivering Project Nexus which has significant implications for users of its services and ultimately for all gas consumers in the Great Britain we would like more reassurance and evidence that services will not be affected by these proposals.

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

The proposal from National Grid for no change to the JO arrangements seems sensible and in theory there shouldn't be any immediate impacts to the services provided to Shippers.

However there are a number of practical issues that arise as all the members of the JO are currently from National Grid and they are largest contributor to the JO funding. It isn't clear for example as to how long the offer for the current staff to work in the JO will remain from both the NewCo and National Grid. A departure of all the staff from the JO may create issues with the level of service that is provided.

It isn't clear to us who has legal ownership of the equipment and resources (e.g. the JO website, software licences, IT equipment etc) that the JO currently uses, how this may be affected by the sale, and what any potential implications for the services provided might be. Greater clarity and transparency on this issue would be appreciated.

This situation highlights the flaws in the current arrangements and demonstrates that a service contracted to a third party provider would be preferable. Although not directly linked to this issue it is something that we would like to see Ofgem resolve as part of its forthcoming review of Code Governance arrangements resulting from the CMA enquiry.



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

We note the mixed views from stakeholders to this issue and the lack of support for the proposal from National Grid to move this obligation to the NewCo.

We share these concerns although we understand the legal obligations will remain and should protect and ensure our customers receive the same level of service that they enjoy today.

On balance it would therefore seem similar to the BMPOLR issue and that the safest option to keep the obligation upon National Grid as transmission operator. This would ensure the impartiality of the service provided to all gas customers regardless of what network they were served by.

They would be free to discharge this via whatever route they deemed best. Both Ofgem and the HSE could then ensure that the service was delivered to a suitable standard and in a cost effective manner.

***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 in NewCo's gas distribution licence in the event that the proposed asset and licence transfers take place?***

We agree that this would seem a sensible protection to put in place.

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

None that we are aware of.

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

No

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

No