

Rupika Madhura
Head of Gas Distribution Policy
RIO Gas Networks
Ofgem
9 Millbank
London
SW1P 3GE

Email to: NGGD.Separation@ofgem.gov.uk

31 May 2016

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

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

As stated in our 8th March 2016 letter we are overall supportive of National Grid's proposal to sell a majority stake in its Gas Distribution Networks business given assurance that there should be no impact on industry parties as a result. While National Grid has addressed some of the concerns raised in their April 2016 Response Document following their February 2016 Stakeholder Consultation, a detailed impact assessment is still needed that clearly lists the various impacts and contractual changes that Shippers and suppliers will be exposed to.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Mark Cox on 01452 658415, or me.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Angela Hepworth".

Angela Hepworth
Corporate Policy and Regulation Director

EDF Energy
40 Grosvenor Place, Victoria
London SW1X 7EN
Tel +44 (0) 20 7752 2200

edfenergy.com
*EDF Energy plc.
Registered in England and Wales.
Registered No. 2366852.
Registered office: 40 Grosvenor Place,
Victoria, London SW1X 7EN*

Attachment

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

EDF Energy's response to your questions

Q1. 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 agree that option 1, to transfer this obligation from National Grid's Distribution Licence to their Transmission licence, would entail the least change to the contracts National Grid currently hold with Suppliers. We are therefore happy to support this, as the majority of stakeholders responded, so long as it can be guaranteed Supplier contracts with NG Metering Limited will not change.

Q2. 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 agree NewCo can discharge the obligations in relation to the gas distribution business with respect to Xoserve and that no changes are needed to the distribution or transmission licences. As such there should be minimal impact to the services provided by Xoserve (including NG's support for the implementation of project Nexus and FGO programme) as a result of the proposed hive across and proposed subsequent share sale.

Q3. Do you have any comments on the impact of the proposed hive across on the Joint Office arrangements?

We agree there should not be any material change arising in the event of hive across on the JGA nor, therefore, on consumers.

Q4. 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 acknowledge that Ofgem's consent is not required for changes to the provision of the 0800 number. Given that 80% of calls relate to emergencies on the Gas Distribution networks it seems appropriate to have this function remain within the NewCo company, recognising that SSC A8 (Emergency Services and Enquiry Service Obligations) of the Gas Transporter (GT) licence requires all NGG and other gas transporters to comply with emergency service obligations. This will minimise the level and cost of change in moving this function to NGG. We welcome the fact that the 0800 111 999 number will not change as a result of this sale which will minimise disruption to consumers.

Q5. 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 the conditions set in NGG's GT licence during the 2005 DN sale (to prevent discrimination in favour of their DNs, prohibition of cross-subsidies, monitoring by a compliance officer etc) are still valid under this new sale as NGG will still be a shareholder of NewCo. There is therefore merit in retaining the underlying provisions of the SCs in NGG's transmission licence (10A, 10B and 10C) and distribution licence (4E and 4F).

Q6. 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 at this stage.

Q7. 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? Question

Ofgem mentions the sale could lead to "loss of independent comparators", however goes no further as to what impact this might have. More detail on this point Ofgem raises would be useful to understand if it is a valid concern for consumers or not.

8. Do you have any comments on the detail of the proposed draft licence amendments?

No.

EDF Energy
May 2016