

Eni

UK

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Kyran Hanks  
Director, Gas Trading Arrangements  
Office of Gas and Electricity Markets  
9 Millbank  
London SW1P 3GE

Dear Mr Hanks

**National Grid Transco – Potential Sale of Network Distribution Businesses Consultation Document**

Thank you for providing Eni UK Limited with the opportunity to respond to the above consultation document. In this letter Eni UK has set out its views on this initial consultation. We hope the following comments will be useful.

Eni UK was surprised at the level of detail and focus that the document entered into for a first consultation exercise. In the document a large amount of detail on the options available to address various issues that the sale of a distribution network would present were provided. Eni UK would have preferred to see a consultation document that firstly establishes whether there is either any merit or benefit for the industry stakeholders in consenting to the sale by NGT of one or more of its distribution network businesses. Ofgem point out that “if these issues can be resolved satisfactorily, then NGT’s proposals should be beneficial for customers.” Unfortunately, the document does not provide any evidence, either from Ofgem or from NGT, as to the potential benefits the industry and consumers might be expected to receive from the sale of a DN business. Eni UK feel that Ofgem should be highly concerned with the impact that NGT’s proposals might have on all industry stakeholders, including shippers, suppliers and customers, rather than concentrating on the potential benefits to NGT’s shareholders.

The Eni UK view is that the sale of a distribution network could in fact have a detrimental effect on the safe and efficient operation of the system. The network and arrangements that surround its use are designed for a National Transmission System and connected distribution networks that are operated and managed by one party. Eni UK believes that one large integrated player rather than eight smaller IDNs is better placed to carry out large investment projects in terms of capital rationalisation and efficiency. Maintenance of the system must be coordinated effectively to ensure that it has as little effect on the users of the system as possible. Eni UK is not convinced that this will be the case if the NTS operator and potentially eight IDNs are attempting to schedule maintenance work simultaneously. Any synergies and efficiencies arising from one party being responsible for issues such as the operation, maintenance, investment and safety of the system could be lost.



Shippers and suppliers would have to invest significant time and resources developing and implementing any new regulatory regime, configuring IT systems, changing procedures, reviewing and securing agreements. The increased workload and increased risk involved in balancing portfolios in different distribution networks will further add to industry players costs. Ultimately these costs will be passed on to end consumers in the form of higher gas prices.

Furthermore, having potentially numerous network codes, new licensing arrangements, multiple balancing and pricing mechanisms in place, adds unnecessary layers of complexity to the regulatory and commercial regime. This creates avoidable barriers to entry and will reduce competition. Multisite industrial and commercial customers may potentially have to deal with eight IDNs (and NGT) with an excess of tariffs and processes. This kind of situation would potentially lead to a reduction in cost efficiency for consumers.

The sale of a distribution network and potential for multiple balancing regimes could have negative consequences on the UK market. This will fragment the market, thereby reducing competition and increasing prices unnecessarily. The potential effects this may have on the market and UK gas price, alongside the increased commercial and regulatory complexity would be disastrous for the UK's security of supply. In the forthcoming years the UK needs to ensure that it can attract supplies from other countries. This requires a liquid and competitive NBP market and a relatively simple and efficient regulatory regime.

In conclusion, Eni UK is in favor of encouraging the debate among the stakeholders about the drivers and benefits related to the sale of the distribution networks, even though the proposal presented by Ofgem and NGT is not considered satisfactory in this respect. In Eni UK's opinion any sale would lead to a less efficient system, increased costs and bureaucracy and needless complexity, and any additional cost will ultimately be born by end consumers. Finally, Eni UK feels that such significant changes to the regulatory and commercial regime would be damaging to the UK industry, at a time when the UK will become increasingly dependent upon imported gas supplies.

Yours sincerely

Rachel Turner  
North Sea Gas & Power  
**Eni UK Limited**