

Eni UK

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Sonia Brown
Director of Transportation
Office of Gas and Electricity Markets
9 Millbank
London SW1P 3GE

Dear Miss Brown

Subject: Response to “National Grid Transco- Potential Sale of the Gas Distribution Network Business”

In this letter, we have set out our views in response to Ofgem’s IA (Final Impact Assessment) Our views are based upon information drawn from the IA and the array of meetings and forums presented by Transco.

It is our understanding that National Grid Transco propose to sell four of their eight Distribution Networks and these sales will not be permitted to proceed without the consent from the Authority. We also understand that the “go/no go” decision will be January 2005, with implementation of the new “regime” on 1 May 2005.

With reference to the IA “Potential benefits to customers as a result of DN sales”. Ofgem “estimated” the level of potential benefits based on “assumptions” for Ofgem to compare performance of independently owned Distribution Networks. It is our understanding that Ofgem believe that “comparator information will allow regulation to mimic the effects of competition through the regulatory process”. Suggesting that with the sale of DNs, “charges to customers for the use of the Distribution Networks are likely to be lower than would be the case if independent comparators did not exist”. From these comments, it appears that Ofgem is unable to substantiate any benefits to customers. We find the principles of this assessment to be unacceptable in what is meant to be the final regulatory IA. Surely, a regulatory IA should be based on facts rather than “95%” assumptions. We feel it is irrelevant whether Ofgem uses their modelling for the “High case” or the “Low case”. It will not detract from the principle issues of basing the assessment on 95% assumptions. What we believe can be accepted as fact and can be substantiated are the estimates for costs and associated implications for Shippers, Suppliers and Customers, which will be in the £millions.

Another major area of concern is the fact that Transco’s processes are already taking place as though regulatory approval has been given for the sale to proceed. Processes such as:

- (1) Development of the UNC (Uniform Network Code)
- (2) Set-up of the agency “Xoserve”

- (3) The drafting of new Exit capacity business rules
- (4) Introduction of a new capacity products "Flexibility"
- (5) Production of new system for Exit Capacity via Gemini
- (6) Amending Metering contracts to reflect the sale of DNs

The way the current processes are being managed lacks co-ordination between the groups covering the different areas. For example at the Exit Regime forum it was stated that one could expect to book Exit capacity under the new regime in summer 2005, yet via the Gemini forum, the Gemini project which includes the Exit capacity system has been put back from August 2005 to Mid October 2005. From a Shipper/Supplier point of view, the entire process is flawed.

We feel the only co-ordination by Transco and Ofgem has been that of arranging meetings and forums simultaneously and to produce numerous consultations within days of each other during December and January, a known peak holiday period. Whilst Transco and Ofgem have the human resources to cover and deal with each area. The majority of Shippers and Suppliers do not. Representatives from different companies have made a request for more reasonable timescales to respond to the consultations on numerous occasions, to no avail. Another issue with reference to consultations is relating to the consultation due to be issued by Transco on the 21 December 2004, covering the UNC and Exit regime business rules. Transco have confirmed that not all of the relevant information will be available as part of the consultation. The missing methodology and pricing is vital data we require in order to produce a response of any value.

In summary, Eni UK believe that as the sale of the Distribution Networks will result in major structural changes within the Industry, which have consequential effects on all parties, it is crucial to carry out substantial assessments and reasonable consultations, before the sales can be approved. Therefore in conclusion, we say "No" to the sale of the Distribution Networks and strongly oppose the associated changes proposed.

We hope our comments will be given due consideration before a final decision is made with regards to the go/no go on the sale of the Distribution Networks.

Yours sincerely,



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