

National Grid - Gas Distribution Sale Presentation for The Operational Forum

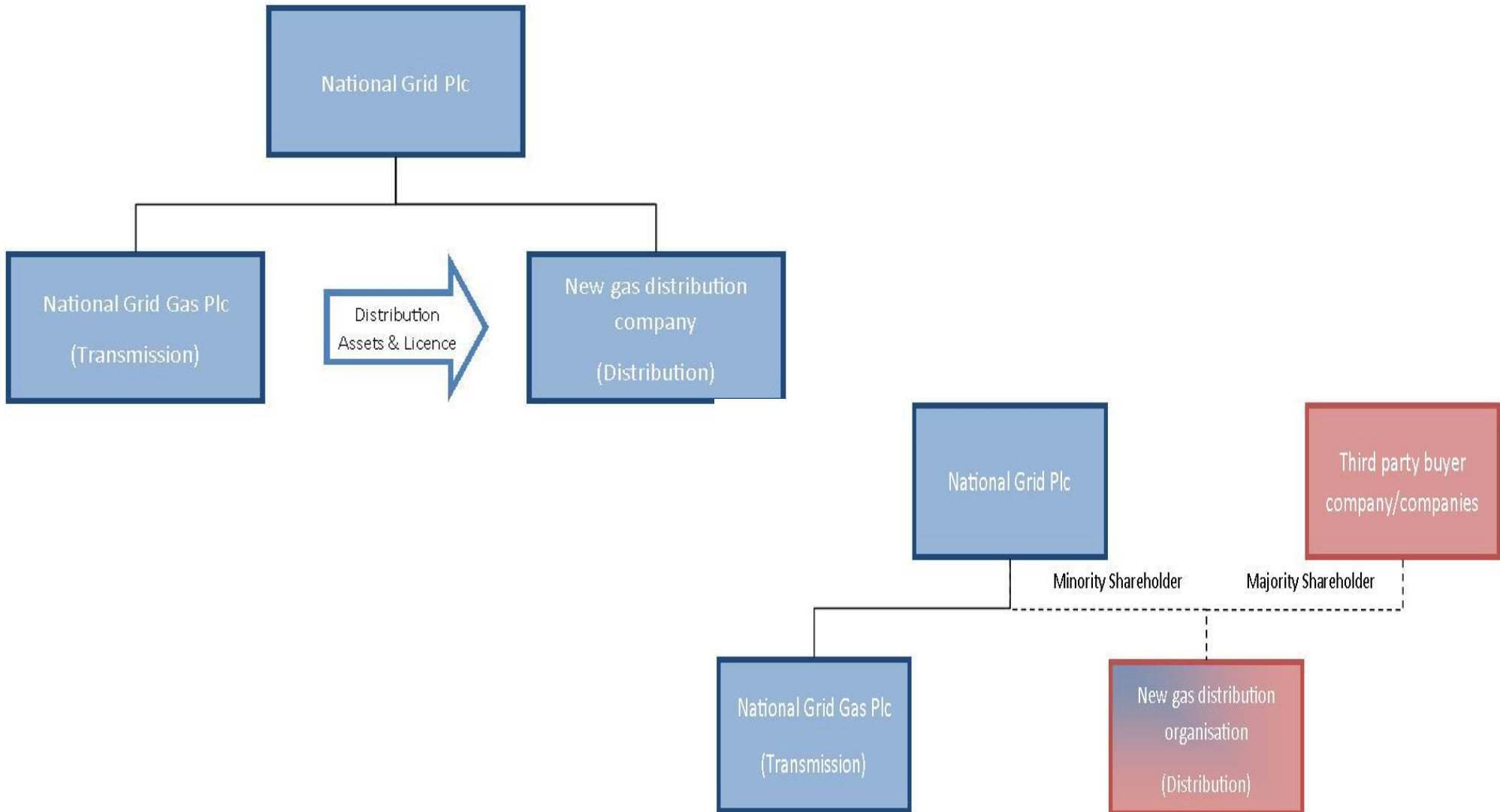


15th June, 2016

Gas Distribution Sale : Context

- November 2015 – National Grid announced plans to sell a majority stake in Gas Distribution Business
- Gas Dx is already a separate business with a separate licence; so we are currently separating just our shared support functions (finance, IS, legal etc.)
- Both transmission and distribution businesses currently sit in one legal entity and therefore we need to transfer the distribution assets and licence to a new legal entity – target late autumn
- Ofgem consultation process commenced (to consider any licence changes, etc.) required to protect consumers in order for Ofgem to consent to the distribution assets and licence transfer) – my work stream
- UNC changes are also required

A sale of a majority stake – broadly two steps



Key regulatory requirements

	Provision	Requirement
GAS DX LICENCE TRANSFER	Gas Act S8AA para1	Consent of the <u>Authority</u> to transfer the licence
	SSCA45 para 1	Consent of <u>Secretary of State</u> required to transfer licence
ASSET DISPOSAL	SSC A27 para 11	Notice to <u>Secretary of State</u> of intention to dispose of a transportation asset
	SSC A27 para 10 (a)	Consent of the <u>Authority</u> required to disposal of a transportation asset
GAS TX LICENCE MODIFICATION	Gas Act S23 para 1	<u>Authority</u> has to publish notice of intention to modify the transmission licence
“ACCEPTED” SAFETY CASES	Schedule 1 Gas Safety Management Regulations 1996	Requirement to have a Safety Case accepted by the HSE

Context : Ofgem consultation issues

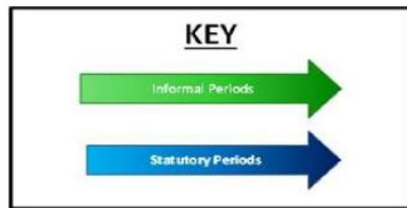
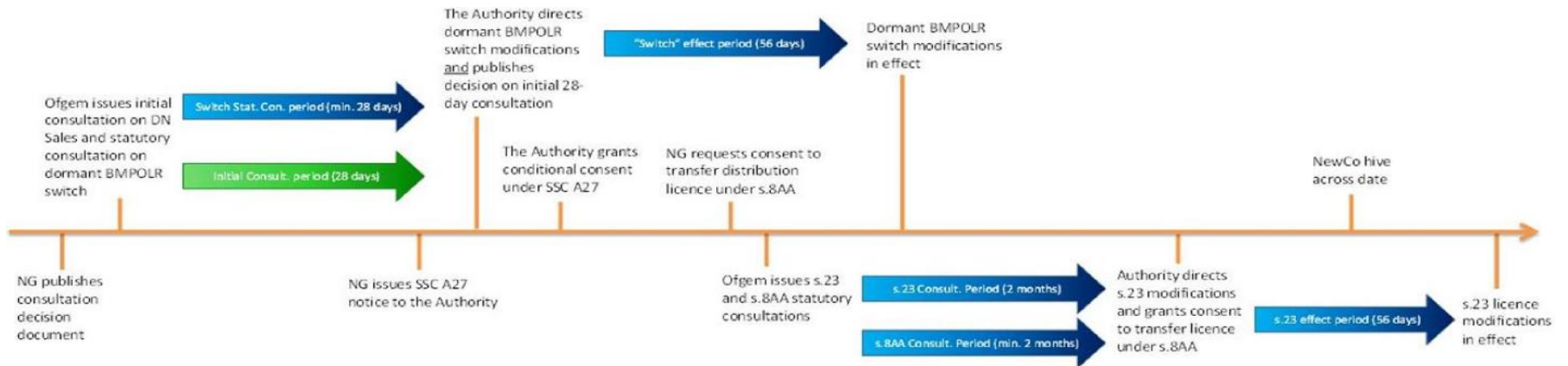
- **Joint Office of transporters**
 - No change to existing obligations or resourcing
- **Backstop Meter Provider of Last Resort (BMPOLR)**
 - NG to retain BMPOLR obligation
 - No change to contracts with suppliers or delivery of service
 - Services continue to be provided by National Grid Metering Limited – not part of sale
- **0800 Gas Emergency Call Centre activity**
 - Low risk option – remain with organisation already undertaking the activity (Dx)
 - Service to be provided by the same personnel and emergency number (at Hinckley)
 - HSE has agreed a way in which this could be facilitated by safety case and exemption
- **Xoserve**
 - NGG's shares in Xoserve in respect of Dx will pass to the new distribution company

Focus on the issues :

Other matters raised by Stakeholders

- **Transparency of costs and benefit to the consumer**
 - No change to the existing RIIO price controls; which will be preserved
 - Consumers will continue to be protected and share in the benefits of the RIIO GD1
- **Knowledge and skills of the new Gas Distribution company**
 - Existing Gas Distribution staff to transfer to the new company
 - Assessing support service requirements to ensure required skillset transfers over
- **Implications for Highways Work (ETON system)**
 - Systems and processes to transfer to the new Gas Distribution company
 - NGG will ensure the continuity of the process within NG
- **National Audit Office (NAO) Report**
 - Focus is more on the regulators processes to ensure benefits of comparative competition realised

Slide from Ofgem's consultation : Indicative Process



Notes

- i. s.8AA and s.23 are sections 8AA and 23 of the Gas Act 1986, respectively.
- ii. SSC has the meaning Standard Special Condition of the gas transporter licence
- iii. National Grid is referred to as NG

Ongoing stakeholder engagement

- Stakeholder consultation and response, presentations at industry groups
- Further planned presentations at industry groups and forums
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