

**Gas Act 1986
Section 23**

**MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S
NATIONAL TRANSMISSION SYSTEM GAS TRANSPORTER LICENCE GRANTED
UNDER SECTION 7 OF THE GAS ACT 1986 TO IMPLEMENT THE GLENMAVIS LNG
STORAGE FACILITY AND SUPPLY TO THE SCOTTISH INDEPENDENT
UNDERTAKINGS (SIUS)**

Whereas –

1. National Grid Gas plc ("NGG") has been granted a Gas Transporter Licence (the "Licence") under section 7 of the Gas Act 1986 (the "Act") to transport gas through the national transmission system subject to the conditions contained in the Licence.
2. In accordance with section 23(2) of the Act the Gas and Electricity Markets Authority (the "Authority") gave notice on 06 January 2012 (the "Notice")¹ that it proposed to make modifications to the Special Condition C26 of the Licence to implement the Authority's decision on the Glenmavis LNG Storage Facility and Supply to the Scottish Independent Undertakings (SIUs) (Ref: No 03/12) date 06 January 2012.
3. In accordance with section 23(2) of the Act, the Notice stated that it proposed to make modifications; set out the proposed modifications and their effect; stated the reasons why the Authority proposes to make modifications; and specified 03 February 2012 as the date upon which representations with respect to the proposed modifications may be made.
4. We received no responses to the consultation.
5. The Authority has decided to amend the proposed modifications set out in the Notice in the manner set out in Schedule 1 to this Modification.
6. Schedule 1 to this Modification contains the Conditions (as amended) that will have effect on and from 1 April 2012.

Now therefore

In accordance with the powers contained in section 23 of the Act and for the reasons set out in the Notice and Schedule 2 of this Modification the Authority hereby modifies the Conditions in the manner set out in Schedule 1 of this Modification with effect on and from **1 April 2012**.

This Modification constitutes notice pursuant to section 38A of the Act of the reasons for amending the Conditions.

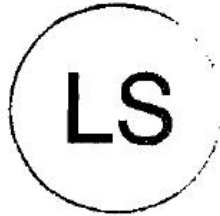
¹http://www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/LNGPriceControl/Documents1/120106_Sec23NoticeNGG.pdf

The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



.....
Rachel Fletcher
Acting Senior Partner – SG&G Distribution
Duly Authorised on behalf of the Authority

6 February 2012



Schedule

MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS (NTS) PLC'S GAS TRANSPORTERS LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23 OF THE GAS ACT 1986

Special Condition C26: Gas Conveyed to Independent Systems

1. Pursuant to the direction given by the Secretary of State on 19 March 2008, regarding the Continuation of the Cross-Subsidy Arrangements for Independent Systems (the "Direction") the licensee is required, until 31 March 2013, to comply with this licence condition.

Bulk Price Differential

2. The licensee shall, subject to it having received all the information it requires from DN operators to enable it to do so, by 30 April in each formula year, in respect of each independent system:
 - (a) make a reasonable estimate of the bulk price differential for that formula year ($BPDE_t$); and
 - (b) calculate, in formula years commencing on and after 1 April 2009, any adjustment (whether of a positive or a negative amount) ($BPDADJ_t$) in formula year t which relates to the difference between:
 - (i) the estimate of the bulk price differential it calculated in the preceding formula year ($BPDE_{t-1}$); and
 - (ii) the actual amount of the bulk price differential in that preceding formula year ($BPDA_{t-1}$)in accordance with the following formula:

$$BPDADJ_t = BPDA_{t-1} - BPDE_{t-1}.$$

For the avoidance of doubt, for the formula year commencing 1 April 2008, $BPDADJ_t = 0$.

3. The licensee shall, in respect of each independent system, pay to the relevant shipper an amount equal to a proportionate amount of the sum of the amounts calculated pursuant to paragraph 2 ($BPDE_t + BPDADJ_t$) quarterly (or at such frequency as may be agreed with the relevant shipper) during the formula year in which the calculation in paragraph 2(a) was made.

Distribution Network Additional costs payment

3. The licensee shall pay to the relevant DN operator the amount set out in Table 1 in respect of the additional costs to serve the independent system operated by that DN operator ("additional costs payments") denoted by " $ACPS_t$ " and " $ACPW_t$ ". Such amounts shall, prior to payment, be adjusted to take account of the change in the retail prices index between the formula year commencing 1 April 2009~~5~~ and the relevant formula year set out in Table 1 in accordance with the following formulae:

$$ACPS_t = SGNACP_t \times \text{ISPIT}_t \text{RPIF}_t$$

and

$$ACPW_t = WWUACP_t \times \text{ISPIT}_t \text{RPIF}_t$$

Where:

~~ISPIT_tRPIF_t is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence. is the Independent Systems price indexation adjustment term which shall be calculated using the following formula:~~

$$\text{ISPIT}_t = \left(1 + \frac{RPI_t}{100}\right) \times \text{ISPIT}_{t-1}$$

~~Where $ISPIT_t$ shall take the value 1 in respect of the formula year commencing 1 April 2005.~~

~~Where RPI_t shall be as defined in paragraph 8 and, for example and the avoidance of doubt, a RPI_t of 5% would be entered as 5 in the formula not 0.05.~~

Table 1

£m, 2005-06 prices	2008-09	2009-10	2010-11	2011-12	2012-13
Scotland Gas Networks plc (SGNACP_t)	6.0	5.4	5.4	5.4	5.4
Wales & West Utilities Limited (WWUACP_t)	0.1	0.1	0.1	0.1	0.1

£m, 2009-10 prices	2012-13
Scotland Gas Networks plc (SGNACP_t)	5.417.1
Wales & West Utilities Limited (WWUACP_t)	0.1

- The licensee shall pay to the relevant DN operator a proportionate amount of the additional costs payments for the relevant formula year on a quarterly basis during that formula year or as otherwise agreed with the DN operator to whom the payment is to be made.

Recovery

6. The licensee shall recover an amount equal to the aggregate of:
 - (i) the sum of the amounts calculated pursuant to paragraph 2 ($BPDE_t + BPDADJ_t$); and
 - (ii) the additional costs payments made to the relevant DN operators under paragraph 5 ($ACPS_t + ACPW_t$) from shippers in the relevant formula year to which such payments relate.

7. The licensee shall by 31 July in each formula year submit to the Authority a statement setting out:
 - (i) the bulk price differential payments made pursuant to paragraph 3; and
 - (ii) the additional costs payments made pursuant to paragraph 5 in the previous formula year.

8. In this condition:

“bulk price differential” means the volume of LPG conveyed to consumers connected to each relevant independent system in the relevant formula year, multiplied by the difference between the reasonable estimate (made by the licensee) of

- (i) the actual delivered price of LPG supplied to consumers connected to the relevant independent system; and
- (ii) the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.

“DN operator” has the meaning given in Standard Special Condition A3 (Definitions and Interpretation).

“independent system” has the meaning given to the term “independent system” in Standard Special Condition A3 (Definitions and Interpretation), save that, for the purposes of this condition only, such independent systems shall only include those independent systems through which the gas conveyed to consumers consists wholly or mainly of LPG or LNG.

“LPG” means a mix of hydrocarbon gases including propane and butane in accordance with BS EN 589:2004.

“LNG” has the same meaning as set out in Special Condition C1 (Amendments to Standard Special Conditions relating to LNG)

“relevant shipper” for the purposes of this condition only, means in relation to any premises connected to an independent system, a gas shipper which has made arrangements with the DN operator which operates the LDZ in which that independent system is situated under which LPG or LNG is to be transported to consumers.

“RPI_t” is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence.~~has the meaning given in paragraph 3(a)(ii) of Special Condition C8B (NTS transportation owner activity revenue restriction).~~