

To: All holders of a gas transporter licence

**Gas Act 1986
Section 23(1)(a)**

Modification of the Standard Conditions and Standard Special Conditions of the Gas Transporter Licence held by the above licensees

1. Each of the licensees to whom this document is addressed is the holder of a Gas Transporter Licence ('the Licence') granted or treated as granted under section 7 of the Gas Act 1986 ('the Act').
2. Under section 23(2) of the Act the Gas and Electricity Markets Authority ('the Authority') gave notice on 30 December 2021 ('the Notice') that we propose to modify the following standard special condition:
 - a. Standard Licence Condition 48: Last Resort Supply: Payment Claims
 - b. Standard Special Licence Condition A48: Last Resort Supply: Payment Claims.
3. We stated that any representations to the modification proposal must be made on or before 27 January 2022.
4. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
5. We received 27 responses to the Notice, which we have carefully considered. We have placed the non-confidential responses on our website. Our response to these comments can be found in the decision document published alongside this notice
6. It is necessary to make a number of alterations to the modifications set out in the Notice. These alterations are shown in cyan highlight in the modification text that can be found in an annex to this notice. The reasons for the differences between the modifications set out in the Notice and the modifications are to correct errors in the modifications proposed, improve the modifications proposed and to address minor issues and corrections raised since the issuing of the Notice such as formatting errors.
7. The main effect of these modifications will be to:
 - Enable SoLR claims to be assigned to an approved third party;
 - Enable the recovery of approved SoLR costs over more than one year.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. Annex 1 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of 'relevant licence holder'.

This notice is our notice of reasons for the purposes of section 38A of the Act.

Under the powers set out in section 23(1)(b) of the Act, we hereby modify the Standard Licence Conditions and the Standard Special Conditions of the Gas Transporter Licence of the licensees in the manner specified in Annex 2. This decision will take effect from 7 May 2022.

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Simon Wilde
Director, Analysis and Assurance
Duly Authorised on behalf of the Gas and Electricity Markets Authority
11 March 2022

Annex 1: List of Relevant Licence Holders

Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales & West Utilities Limited
National Grid Gas plc
Energy Assets Pipelines Limited
ES Pipelines Limited -
ESP Connections Limited
ESP Networks Limited
ESP Pipelines Limited
Fulcrum Pipelines Limited
GTC Pipelines Limited
Harlaxton Gas Networks Limited
Independent Pipelines Limited
Indigo Pipelines Limited
Last Mile Gas Limited
Leep Gas Networks Limited
mua Gas Limited (formerly Murphy Gas Networks Limited)
Quadrant Pipelines Limited
Squire Energy Limited

Gas Transporter licence holders are listed at: <https://www.ofgem.gov.uk/publications/list-all-gas-licensees-including-suppliers>.

Annex 2: Licence Modifications

Standard Condition 48: Last Resort Supply: Payment Claims

1. This condition sets out the circumstances in which the licensee shall increase its transportation charges in order to ~~compensate~~ pay any gas supplier (a "claimant") or LRSP Permitted Assignee ~~(a "claimant")~~ a last resort supply payment in accordance with the terms of a valid claim ~~which claims for losses that it has incurred in complying with a last resort supply direction.~~
2. The following provisions apply where the licensee receives ~~from a claimant~~ a valid claim for a last resort supply payment.
3. Where the licensee receives a valid claim it shall, during the relevant year or other subsequent years (as specified in the valid claim), make a consequential increase to its transportation charges during that year or those years which relate to the conveyance of gas to premises (and secondary sub-deduct premises to which gas is conveyed as contemplated by sub-deduct arrangements) to such an extent as it reasonably estimates to be appropriate to secure that such consequential increase in its revenue equals the specified amount for that each year as set out in the valid claim together with any interest or adjustment payment notified to it by the Authority in accordance with paragraph 3A below.
- 3A Where the licensee receives a valid claim that contains provision for the payment of the specified amount over a period longer than a year, the amount by which the licensee makes a consequential increase to its charges in each subsequent year pursuant to paragraph 3, shall include an amount for interest and other adjustments shall be directed by the Authority no later than 31 December in the year prior to the start of the year in which the licensee will make a consequential increase in its charges or, where no direction is made, shall be the amount specified for the year in the valid claim.
- 3B Where the licensee, in a current year, receives a valid claim, that contains provision for the licensee to adjust the payment of the specified amount for the remainder of that year, the amount by which the licensee shall make a consequential increase to its transportation charges for the remainder of that year pursuant to paragraph 3, shall be directed by the Authority no later than 31st July.
4. The licensee shall, during, or as soon as practicable after the end of, the relevant year or other subsequent years (as specified in the valid claim), pay to the claimant or LRSP Permitted Assignee in accordance with the valid claim by quarterly or monthly instalments (as specified in the valid claim), the amount of that consequential increase in revenue mentioned in paragraph 3 and paragraph 3A where relevant to the extent that it does not exceed the specified amount for that year. Any payment of an amount to an LRSP Permitted Assignee shall discharge any requirement to pay that amount to the claimant.
5. Subject to paragraph 7A, if the amount paid ~~to the claimant~~ under paragraph 4 is less than the

specified amount [for that year](#), the licensee shall in the following [financial](#) year –

- (a) pay [to the claimant](#) (in accordance with any directions given by the Authority) the shortfall together with 12 months' interest thereon; and
- (b) increase the charges referred to in paragraph 3 during the year following the relevant year to such extent as it reasonably estimates to be appropriate to secure that the consequential increase in its revenue equals the amount of that shortfall together with 12 months' interest thereon.

6. Subject to paragraph 7A, if the amount of the consequential increase mentioned in paragraph 3 exceeds the specified amount [for that year](#), the licensee shall, during the [year](#) following [the relevant](#) year, decrease the charges referred to in paragraph 3 to the extent that it reasonably estimates to be necessary in order to reduce its transportation revenue for that year by an amount equal to the excess together with 12 months' interest thereon.

7. Any question whether any estimate for the purposes of paragraph 3, 5 or 6 is a reasonable one shall be determined by the Authority.

7A. Where the valid claim is to be subject to [annual](#) adjustment in accordance with paragraph 3A, the licensee shall notify the Authority of any difference between the specified amount for that year and the amount of the consequential increase made in respect of the same year in sufficient time for the Authority to take that difference [\(as it would have applied under paragraphs 5 or 6\)](#) into account in directing the specified amount to be paid by the licensee the following year pursuant to paragraph 3A. Paragraphs 5 and 6 will not apply where the Authority has taken into account such difference in its annual direction under paragraph 3A.

8. The licensee shall not enter into any transportation arrangements which do not permit variation of its transportation charges in pursuance of this condition.

9. The provisions of this condition shall have effect notwithstanding that the licensee has not provided any notice required by paragraph 2 of Standard Condition 4 (Charging – General).

10. In calculating the licensee's transportation revenue during any period for the purposes of a price control condition any increase or decrease in revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.

11. The licensee shall prepare, in respect of each year in which it increases or decreases charges in pursuance of paragraph 3, 5 or 6, a statement showing –

- (a) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 3;

- (b) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 5;
- (c) the aggregate amount of the decrease in its revenue resulting from decreases in charges in pursuance of paragraph 6, and
- (d) in the case of each last resort supply payment, the aggregate payments to the claimant made in respect of the year in question (whenever those payments were made).

12. The licensee shall give the statements referred to in paragraph 11 to the Authority within the first 4 months of the year following that to which they relate.

13. On giving the statement mentioned in paragraph 11(d) to the Authority, the licensee shall publish it in such manner as, in the reasonable opinion of the licensee, will secure adequate publicity for it.

14. Where the licensee receives more than one claim for a last resort payment, this condition (other than sub-paragraphs 11(a), (b) and (c)) shall apply separately as respects each separate claim but in so far as it results in changes to the licensee's transportation charges it shall have the cumulative effect of such separate applications.

15. (a) For the purposes of this condition –

“last resort supply direction” and **“last resort supply payment”** have the meaning given to them in standard condition 1 (Definitions for standard conditions) of the standard conditions of the gas suppliers licence;

“LRSP Permitted Assignee” means a person to whom ~~the Authority has consented to~~ a gas supplier ~~has~~ assigned ~~ing~~ or otherwise disposed ~~ing~~ of all or any of its rights in relation to or arising from a Last Resort Supply Payment with the Authority's consent.

“price control condition” means any condition of the licence which places a monetary limitation on the transportation charges which may be levied or the transportation revenue which may be recovered by the licensee during a given period;

“relevant year” means, in relation to any valid claim –

(i) where the claim was received by the licensee ~~by the 31st December, the following year after the valid claim was received~~~~before the beginning of a year, that year;~~ or

(ii) where the claim was received by the licensee ~~after~~ the 31st December the second year after the valid claim was received~~before the beginning of a year,~~

~~the next year;~~

So, for example, if a valid claim was received before 31 December in year 1, the relevant year would be year 2. If a valid claim was received after 31 December in year 1, the relevant year would be year 3.

“**specified amount**” means the amount specified on a valid claim (or, where the context requires, the amount specified on a valid claim in respect of a particular year) together with any adjustment made ~~interest calculated in accordance with paragraph 4 or directed~~ by the Authority in accordance with paragraph 3A for that year;

“**valid claim**” means a claim for which a claimant has been given a consent by the Authority pursuant to standard condition 9 (Claims for Last Resort Supply Payment) of the standard conditions of the gas suppliers licence; and

“**year**” means a period of 12 months beginning on 1st April.

(b) The interest referred to in paragraph 5, sub-paragraph (a) and paragraph 6 is simple interest for the period commencing with the date on which the claim was received by the licensee and ending with the date which is 61 days before the start of the relevant year, except where that period is of 30 days or less, in which case no interest shall be payable.

16. For the avoidance of doubt, the arrangements for administering increases to transportation charges in order to compensate any gas supplier which claims for losses that it has incurred in complying with a last resort supply direction, under the provisions of this condition, shall be administered by the Central Data Service Provider (as defined in Standard Special Condition A15 (Central Data Services Provider), unless the Authority otherwise consents in writing.

Standard Special Condition A48: Last Resort Supply: Payment Claims

1. This condition sets out the circumstances in which the licensee shall increase its transportation charges in order to ~~compensate pay~~ any gas supplier (a "claimant") or LRSP Permitted Assignee ~~(a "claimant")~~ a last resort supply payment in accordance with the terms of a valid claim~~which claims for losses that it has incurred in complying with a last resort supply direction.~~
2. The following provisions apply where the licensee receives ~~from a claimant~~ a valid claim for a last resort supply payment.
3. Where the licensee receives a valid claim it shall, during the relevant year or other subsequent years (as specified in the valid claim), make a consequential increase to its transportation charges during that year or those years which relate to the conveyance of gas to premises (and secondary sub-deduct premises to which gas is conveyed as contemplated by sub-deduct arrangements) to such an extent as it reasonably estimates to be appropriate to secure that such consequential increase in its revenue equals the specified amount ~~for that each year as set out in the valid claim~~together with any interest or adjustment payment notified to it by the Authority in accordance with paragraph 3A below.
- 3A Where the licensee receives a valid claim that contains provision for the payment of the specified amount over a period longer than a year, the amount by which the licensee makes a consequential increase to its charges in each subsequent year pursuant to paragraph 3, shall include an amount for interest and other adjustments shall be directed by the Authority no later than ~~{31 December}~~ in the year prior to the start of the year in which the licensee will make a consequential increase in its charges or, where no direction is made, shall be the amount specified for the year in the valid claim.
- 3B Where the licensee, in a current year, receives a valid claim, that contains provision for the licensee to adjust the payment of the specified amount for the remainder of that year, the amount by which the licensee shall make a consequential increase to its transportation charges for the remainder of that year pursuant to paragraph 3, shall be directed by the Authority no later than 31st July.
4. The licensee shall, during, or as soon as practicable after the end of, the relevant year or other subsequent years (as specified in the valid claim), pay to the claimant or LRSP Permitted Assignee in accordance with the valid claim by quarterly or monthly instalments (as specified in the valid claim), the amount of that consequential increase in revenue mentioned in paragraph 3 and paragraph 3A where relevant to the extent that it does not exceed the specified amount for that year. Any payment of an amount to an LRSP Permitted Assignee shall discharge any requirement to pay that amount to the claimant.
5. Subject to paragraph 7A, if the amount paid ~~to the claimant~~ under paragraph 4 is less than the specified amount for that year, the licensee shall in the following financial year –

- (a) pay ~~to the claimant~~ (in accordance with any directions given by the Authority) the shortfall together with 12 months' interest thereon; and
 - (b) increase the charges referred to in paragraph 3 during the year following the relevant year to such extent as it reasonably estimates to be appropriate to secure that the consequential increase in its revenue equals the amount of that shortfall together with 12 months' interest thereon.
6. Subject to paragraph 7A, if the amount of the consequential increase mentioned in paragraph 3 exceeds the specified amount for that year, the licensee shall, during the ~~year~~ following ~~the relevant~~ year, decrease the charges referred to in paragraph 3 to the extent that it reasonably estimates to be necessary in order to reduce its transportation revenue for that year by an amount equal to the excess together with 12 months' interest thereon.
7. Any question whether any estimate for the purposes of paragraph 3, 5 or 6 is a reasonable one shall be determined by the Authority.
- 7A. Where the valid claim is to be subject to ~~annual~~ adjustment in accordance with paragraph 3A, the licensee shall notify the Authority of any difference between the specified amount for that year and the amount of the consequential increase made in respect of the same year in sufficient time for the Authority to take that difference (as it would have applied under paragraphs 5 or 6) into account in directing the specified amount to be paid by the licensee the following year pursuant to paragraph 3A. Paragraphs 5 and 6 will not apply where the Authority has taken into account such difference in its annual direction under paragraph 3A.
8. The licensee shall not enter into any transportation arrangements which do not permit variation of its transportation charges in pursuance of this condition.
9. The provisions of this condition shall have effect notwithstanding that the licensee has not provided any notice required by paragraph 2 of Standard Special Condition A4 (Charging – General).
10. In calculating the licensee's transportation revenue during any period for the purposes of a price control condition any increase or decrease in revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.
11. The licensee shall prepare, in respect of each year in which it increases or decreases charges in pursuance of paragraph 3, 5 or 6, a statement showing –
 - (a) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 3;
 - (b) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 5;

- (c) the aggregate amount of the decrease in its revenue resulting from decreases in charges in pursuance of paragraph 6, and
- (d) in the case of each last resort supply payment, the aggregate payments to the claimant made in respect of the year in question (whenever those payments were made).

12. The licensee shall give the statements referred to in paragraph 11 to the Authority within the first 4 months of the year following that to which they relate.

13. On giving the statement mentioned in paragraph 11(d) to the Authority, the licensee shall publish it in such manner as, in the reasonable opinion of the licensee, will secure adequate publicity for it.

14. Where the licensee receives more than one claim for a last resort payment, this condition (other than sub-paragraphs 11(a), (b) and (c)) shall apply separately as respects each separate claim but in so far as it results in changes to the licensee's transportation charges it shall have the cumulative effect of such separate applications.

15. (a) For the purposes of this condition –

“last resort supply direction” and **“last resort supply payment”** have the meaning given to them in standard condition 1 (Definitions for standard conditions) of the standard conditions of the gas suppliers licence;

“LRSP Permitted Assignee” means a person to whom ~~the Authority has consented to~~ a gas supplier ~~has assigned~~ or otherwise disposed ~~ing~~ of all or any of its rights in relation to ~~or arising from~~ a Last Resort Supply Payment ~~with the Authority's consent~~.

“price control condition” means any condition of the licence which places a monetary limitation on the transportation charges which may be levied or the transportation revenue which may be recovered by the licensee during a given period;

“relevant year” means, in relation to any valid claim –

- (i) where the claim was received by the licensee by the 31st ~~[December]~~, ~~the following year after the valid claim was received~~~~before the beginning of a year, that year~~; or
- (ii) where the claim was received by the licensee ~~after~~ the 31st December ~~the second year after the valid claim was received~~~~before the beginning of a year, the next year~~;

So, for example, if a valid claim was received before 31 December in year 1, the relevant year would be year 2. If a valid claim was received after 31 December in year 1, the relevant year would be year 3.

“**specified amount**” means the amount specified on a valid claim (or, where the context requires, the amount specified on a valid claim in respect of a particular year) together with any adjustment made ~~interest calculated in accordance with paragraph 4 or directed~~ by the Authority in accordance with paragraph 3A for that year;

“**valid claim**” means a claim for which a claimant has been given a consent by the Authority pursuant to standard condition 9 (Claims for Last Resort Supply Payment) of the standard conditions of the gas supplier’s licence; and

“**year**” means a period of 12 months beginning on 1st April.

- (b) The interest referred to in paragraph 5, sub-paragraph (a) and paragraph 6 is simple interest for the period commencing with the date on which the claim was received by the licensee and ending with the date which is 61 days before the start of the relevant year, except where that period is of 30 days or less, in which case no interest shall be payable.

16. For the avoidance of doubt, the arrangements for administering increases to transportation charges in order to compensate any gas supplier which claims for losses that it has incurred in complying with a last resort supply direction, under the provisions of this condition, shall be administered by the Central Data Service Provider (as defined in Standard Special Condition A15 (Central Data Services Provider), unless the Authority otherwise consents in writing.