

NOTICE UNDER S23(3) OF THE GAS ACT 1986

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23 (3) of the Gas Act 1986 ("the Act") as follows:

1. The Authority proposes to modify the conditions of the gas transporter licence granted to Transco plc ("Transco") treated as granted under section 7 of the Act by amending the following licence conditions:

- (a) amended standard licence condition 1: 'Definitions and Interpretation'

by substituting for the existing definition of financial year an amended definition of financial year as follows:

means, subject to Standard Condition 30A (Change of Financial Year), a period of twelve months beginning on 1st April of each year, and ending on 31st March of the following calendar year, except that, in respect of the calendar year commencing on 1st January 2001, it shall mean the period of fifteen months, beginning on 1st January 2001 and ending on 31st March 2002.

The effect of this change will be that the definition of financial year will be amended from so that it runs from 1 April to 31 March rather than from 1 January to 31 December.

- (b) Special licence condition 2: 'Restriction on Activity and Financial Ring-Fencing'

by substituting for the existing paragraph 2 (4) (b) (i) the following amended paragraph:

the aggregate turnover of the de-minimis business of the licensee does not in any financial year exceed 2.5% of the aggregate turnover of the Transportation and LNG Storage Business, the Metering Business and the Meter Reading Business (excluding the turnover on transactions which each of those businesses make with each other) as shown by its most recent audited accounting statement produced under paragraph 2 (b) (i) and (c) of standard condition 30 (Regulatory Accounts).

The effect of this change is that for the purposes of calculating the de-minimis thresholds this licence condition will use the financial year as the basis of the reporting period rather than a period of 12 months commencing on 1 January.

- (c) special licence condition 3: 'Availability of Resources'

by substituting for the existing second sentence in special licence condition 3 (2) the following sentence:

Such certificate shall be submitted on 30 June of each year.

The effect of this change is that the Availability of Resources certificate will be submitted on 30 June each year rather than 31 March each year.

2. The Authority proposes to make these licence modifications to align Transco's gas transporter licence with the regulatory year used in Transco's price control review which runs from 1 April to 31 March. Licence modification 1 (a) proposes to change the definition of Transco's financial year in Transco's licence. In order to ensure that other licence conditions that use accounting information also use a time period that is consistent with the financial year used in the regulatory accounts licence condition it is appropriate to make the changes outlined in 1 (b) and (c).
3. The effect of these changes will be to make the regulatory performance of Transco more transparent. The use of the 1 April to 31 March as the financial year for the regulatory accounts was one of the proposals in Ofgem's November 2000 regulatory accounts final proposals paper.
4. In relation to Transco only, this particular proposal is being implemented through a S23 notice as on 28 January 2002 Transco changed their statutory accounting year end from 31 December to 31 March. In consequence of this, Transco wish to prepare their next regulatory accounts for the 15 months ended 31 March 2002. The other proposals will be implemented in due course.
5. A copy of the proposed licence modifications are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
6. Any representations or objections to the proposed licence modifications may be made before 25 June 2002 to:

Carl Hetherington,
Head of Regulatory Finance,
9 Millbank, London,
SW1P 3GE.

Or by e-mail to carl.hetherington@ofgem.gov.uk



28 May 2002

Richard Ramsay
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Authorised on behalf of the Gas and Electricity Markets Authority