

To: **The Company Secretary,  
Transco plc (a company registered in England & Wales with company number  
2006000),  
130 Jermyn Street,  
London  
SW1Y 4UR.**

## **MODIFICATION OF TRANSCO PLC'S GAS TRANSPORTER LICENCE PURSUANT TO SECTION 23 OF THE GAS ACT 1986**

Whereas:

1. Transco plc ('the Licensee') is the holder of a licence ('the Licence') treated as granted under section 7 of the Gas Act 1986 ('the Act'), to convey gas through pipes to any premises in the specified area in schedule 1 of the Licence and to convey gas through pipes to any pipe-line system operated by another gas transporter, for the term and upon the conditions specified in the Licence.
2. Pursuant to section 23 (3) of the Act, the Authority published on 12 April 2002 in a manner it considered appropriate a notice of its intention to propose modifications ('the Original Notice') together with an explanatory note explaining the proposed modifications ('the Explanatory Note') consulting on its proposals to modify the conditions of the Licence in two respects, more particularly detailed in Part A and Part B of the Original Notice and summarised below:

### **PART A**

That it proposed to modify the Licence by inserting therein new conditions and schedule provisions numbered and entitled:

(1) by amending the following licence condition:

- (a) standard condition 6: Emergency Services and Enquiry Service Obligations by introducing a new paragraph, paragraph 23 (amendments are shown in bold and italicised); and

(2) by substituting for Special Condition 9C: Restrictions on prices for transportation, metering and meter reading services the following licence conditions:

- (a) Special Condition 26: Prohibited procurement activities;

- (b) Special Condition 27: Licensee's procurement and use of system management services;
- (c) Special Condition 28A: Revenue restriction;
- (d) Special Condition 28B: Revenue restrictions: Part I a: NTS transportation owner activity revenue restriction, Part I b: LDZ transportation activity revenue restriction, Part II: NTS system operation activity revenue restrictions;
- (e) Special Condition 29: Allocation of revenues and costs for calculations under the price control;
- (f) Special Condition 30: Supplementary provisions of the revenue restrictions;
- (g) Special Condition 31: Restriction of prices in respect of tariff capped metering activities;
- (h) Special Condition 32: Non-discrimination in the provision of metering activities;
- (i) Special Condition 33: Information to be provided to the Authority in connection with the revenue restriction;
- (j) Special Condition 34: Licensee's methodology for determining incremental entry capacity volumes;
- (k) Special Condition 35: NTS performance reporting;
- (l) Special Condition 36: LDZ incentive scheme and performance reporting;
- (m) Special Condition 37: Exit code statement; and
- (n) Schedule A: NTS output measures for the price control,

## **PART B**

- (1) by amending the following licence conditions:
  - (a) standard condition 4E: Requirement to Enter into Transportation Arrangements in Conformity with Network Code, by introducing a new paragraph, paragraph 5 (amendments are shown in bold and italicised); and
  - (b) standard condition 9: Network Code, by amending paragraphs 5(b) and 6(a) of that condition and by introducing a new

paragraph, paragraph 16 (amendments are shown in bold and italicised);

3. In a press release by the Authority dated 22 February 2002, the Authority advised that proposed licence modifications in accordance with their terms, would be deemed to take effect from 0.00 hours on 1 April 2002.
4. The Authority gave a copy of the Original Notice to the Secretary of State and did not receive any objection or direction not to proceed.
5. Prior to the close of the consultation period in respect of the Original Notice, the Authority received 24 responses (excluding Transco's response) none of which were marked as confidential. No responses were withdrawn. The responses have been placed in the Ofgem Research and Information Centre.
6. The Authority has considered representations or objections in relation to the proposed modification made to it and not withdrawn.
7. Following careful consideration of responses to the Original Notice, a number of drafting changes were identified to the proposed licence modifications consulted upon under the Original Notice.
8. In summary, the changes identified fell within five broad categories (this description is not exhaustive and some changes may fall into one or more of these categories):
  1. Correcting typographical errors.
  2. Adding in missing words (to ensure the use of a defined term for example) or clarifying the intent expressed in the Original Notice and the Explanatory Note.
  3. Restructuring of some drafting, notably in respect of the incremental entry capacity release statement to deliver the intended effect of the Original Notice and the Explanatory Note.
  4. Algebraic changes to produce the effect set out in the Original Notice and the Explanatory Note.
  5. Consistency changes.
9. Several respondents to the Original Notice suggested that if the Authority decided to modify the proposals in light of consultation responses there should be a further statutory consultation. The Authority considered this and concluded that the changes identified fell within section 23(6) of the Act and the terms of the Original Notice and as such the Authority has the power to direct that the modification be made. However, the Authority considered that, in recognition of concerns expressed by respondents, there should be a further limited consultation on this occasion.
10. The Authority issued a further consultation (the Second Notice) under section 23(3) of the Act in respect of the proposed modifications on 1 August 2002. The decision to reconsult was limited. The Original Notice was in two parts - Part A and Part B as described above. Having regard to the responses received, the Authority decided that the subject matter of the Second Notice should be restricted to Part A of the Original Notice and did not consult again on the

proposed modifications contained in Part B. The Log of Changes ("the Log") prepared by the Authority to explain the changes (which was published on 1 August 2002), identified two changes to the Part B proposals (no's 1 and 2 in the Log). These changes however corrected incorrect cross references and did not require further consultation.

11. The Authority gave a copy of the Second Notice to the Secretary of State and did not receive any objection or direction not to proceed.
12. Prior to the close of the consultation period in respect of the Second Notice, the Authority received 7 responses (excluding Transco's response) none of which were marked as confidential. No responses were withdrawn. The responses have been placed in the Ofgem Research and Information Centre.
13. The Authority has carefully considered representations or objections in relation to the proposed modification made to it and not withdrawn.
14. The consultation responses identified some further minor amendments to the proposed modifications. The changes are set out in the second log of changes published by the Authority today ('the Second Log') and is available from the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)) or free of charge from the Ofgem Distribution Centre on 0116 277 2617. Having considered the changes and having regard to its powers under section 23 of the Act, the Authority has decided to incorporate these without further consultation and considers that these changes fall within section 23 of the Act.
15. On 26 September 2002, the Licensee gave its written consent to the making of the modifications in the form attached to this direction.
16. The Authority has decided that the direction shall be published today. In accordance with its press release described in paragraph 3 above, the modifications shall be implemented today but shall take effect retrospectively from 1 April 2002.

Now in accordance with the powers contained in section 23(1) of the Act and with the consent of the Licensee, the Authority hereby modifies the Licence in the manner specified in the attached schedule with effect on and from 1 April 2002. This modification shall be implemented today but shall take effect retrospectively from 1 April 2002.

Dated 27 September 2002

The Official Seal of the Authority affixed  
to this modification is authenticated by:

A handwritten signature in black ink that reads "Eileen Marshall". The signature is written in a cursive, slightly slanted style.

authorised in that behalf by the Authority

## THE SCHEDULE

1. The following standard conditions shall be amended in the following form annexed hereto by:
  - (1) amending the following licence condition:
    - (a) standard condition 6: Emergency Services and Enquiry Service Obligations by introducing a new paragraph, paragraph 23 (amendments are shown in bold and italicised); and
2. The following special conditions shall be introduced and omitting Special Condition 9C: Restrictions on prices for transportation, metering and meter reading services:
  - (a) Special Condition 26: Prohibited procurement activities;
  - (b) Special Condition 27: Licensee's procurement and use of system management services;
  - (c) Special Condition 28A: Revenue restriction;
  - (d) Special Condition 28B: Revenue restrictions: Part I a: NTS transportation owner activity revenue restriction, Part I b: LDZ transportation activity revenue restriction, Part II: NTS system operation activity revenue restrictions;
  - (e) Special Condition 29: Allocation of revenues and costs for calculations under the price control;
  - (f) Special Condition 30: Supplementary provisions of the revenue restrictions;
  - (g) Special Condition 31: Restriction of prices in respect of tariff capped metering activities;
  - (h) Special Condition 32: Non-discrimination in the provision of metering activities;
  - (i) Special Condition 33: Information to be provided to the Authority in connection with the revenue restriction;
  - (j) Special Condition 34: Licensee's methodology for determining incremental entry capacity volumes;
  - (k) Special Condition 35: NTS performance

reporting;

- (l) Special Condition 36: LDZ incentive scheme and performance reporting;
- (m) Special Condition 37: Exit code statement; and
- (n) Schedule A: NTS output measures for the price control,

**Part B:**

(2) by amending the following licence conditions:

- (a) standard condition 4E: Requirement to Enter into Transportation Arrangements in Conformity with Network Code, by introducing a new paragraph, paragraph 5 (amendments are shown in bold and italicised); and
- (b) standard condition 9: Network Code, by amending paragraphs 5(b) and 6(a) of that condition and by introducing a new paragraph, paragraph 16 (amendments are shown in bold and italicised);

2. This modification shall be implemented on Friday 27 September 2002 and from the time of introduction shall apply retrospectively from 1 April 2002.