



Licence arrangements

■ Overview

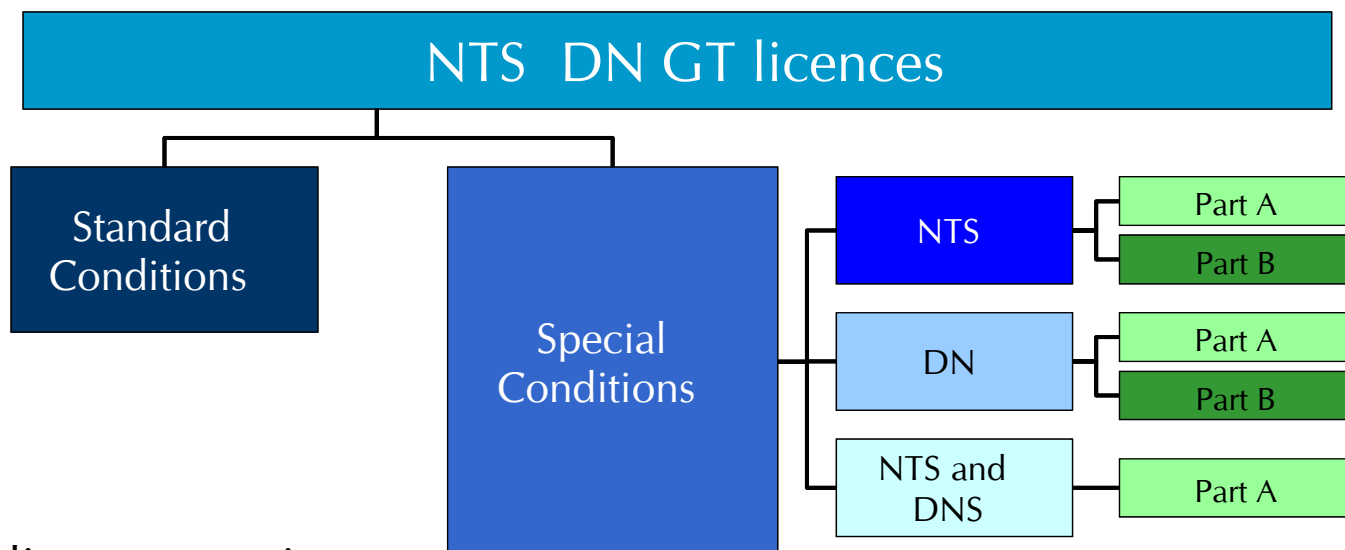
- Proposed licence structure
- Licence modification procedures
- Key issues for comment
- Proposed new licence conditions
- Way forward

Overview

- Consultation document published on 2 September
- Document contains:
 - analysis of the appropriate regulatory structure for the GT licences;
 - analysis of which licence conditions are relevant to transmission, distribution or both;
 - assessment of impact of required changes on modifications process; and
 - consideration of the requirement for new licence conditions.

- Overview
- **Proposed licence structure**
- Licence modification procedures
- Key issues for comment
- Proposed new licence conditions
- Way forward

Proposed licence structure



Proposed licence contains:

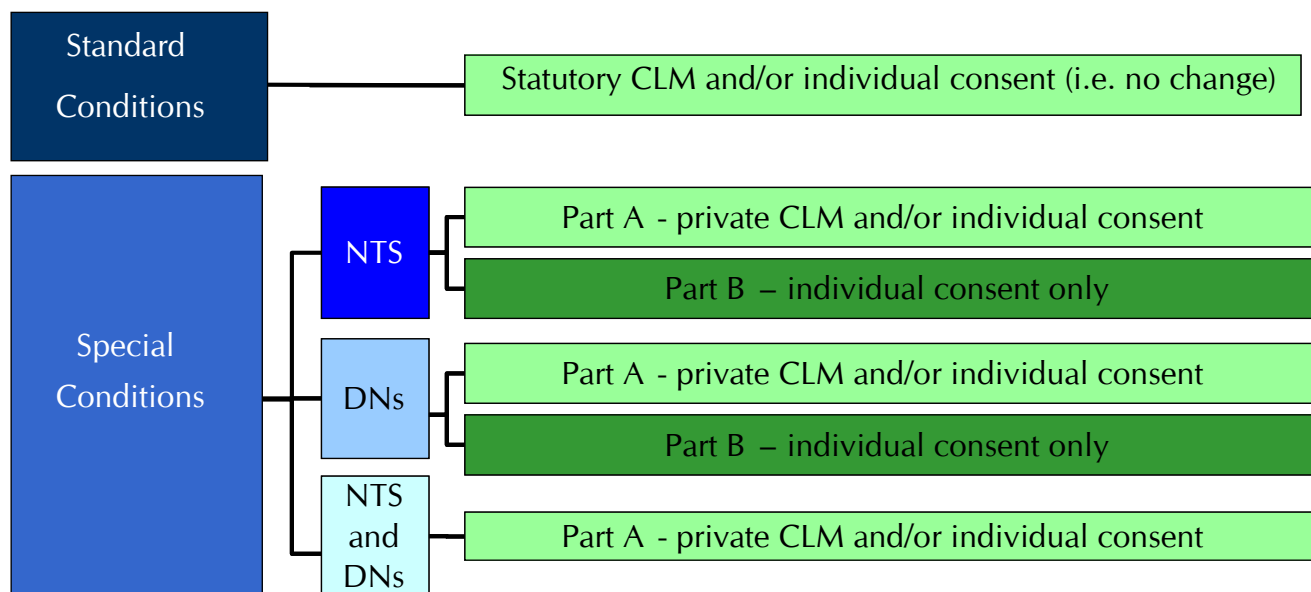
- Standard Conditions;
- Special Conditions applicable to transmission only;
- Special Conditions applicable to the distribution businesses only; and
- Special Conditions applicable to both NTS and DN.

- Overview
- Proposed licence structure
- Licence modification procedures
- Key issues for comment
- Proposed new licence conditions
- Way forward

Licence modification procedures (1)

- Significant number of changes to Transco's GT licences likely to be required
- Changes mainly a consequence of integrated nature of Transco's current businesses
- Many current Standard Conditions likely to become Amended Standard Conditions
- As a result, statutory Collective Licence Modification (CLM) procedure would cease to apply to these
- Proposed "private CLM procedure" to apply to "Standard Special Conditions"

Licence modification procedures (2)



Proposed licence modification process has two parts:

- **Part A** (Standard Special Conditions). Subject to private CLM and/or individual consent
- **Part B** (Special Conditions). Only changed with individual consent.

- Overview
- Proposed licence structure
- Licence modification procedures
- **Key issues for comment**
 - Proposed new licence conditions
 - Way forward

Some key issues (1)

- **Distribution charging arrangements**
 - Joint Office to be responsible for managing modifications
 - Single annual specified date for changes to charges
- **Emergency services co-ordination**
 - Condition required to remove cross-DN boundary uncertainties?
 - Condition required for DN-GTs obliging them to make monopoly emergency services available to IGTs?
 - Condition obliging DN-GTs to provide first response emergency services available to the NTS-GT at a reasonable rate?
- **System operator managed services agreements**
 - Ofgem's initial decision that SOMSAs should be unregulated?

Some key issues (2)

- **Network Code and offtake arrangements**
 - Should a “Uniform Network Code (UNC) only”, or a “UNC plus offtake code” approach be adopted?
- **Price controls and incentive arrangements**
 - Ofgem not to reopen control
 - Ofgem announced that scheme duration to be of one year initially
 - Ofgem intend to issue position paper in November on form and scope
- **Pipeline security standards**
 - Should 1 in 20 obligation continue to apply to both NTS-GT and DN-GT licences?

- Overview
- Proposed licence structure
- Licence modification procedures
- Key issues for comment
- Proposed new licence conditions
- Way forward

Proposed new licence conditions

- To support DN sales, Ofgem's initial view is that additional licence conditions may be required for the following:
 - private collective licence modification procedure;
 - implementation of gateway requirements;
 - requirement not to prejudice the systems of other GTs;
 - inter-operator service agreements;
 - governance of technical standards; and
 - arrangements for testing measuring equipment.

- Overview
 - Proposed licence structure
 - Licence modification procedures
 - Key issues for comment
 - Proposed new licence conditions
- Way forward

Way forward

- Next week: Examine each licence condition in detail, if DISG wish to.
- 29 September: Closing date for this consultation
- Early November: Issuing of notice under section 23 of the Gas Act to formally modify each of Transco's GT licences (with 28 days consultation)
- Mid November: The Authority will meet to decide whether (or not) to consent to proposed disposal of DN assets

Treatment of standard conditions 1 - 16

No.	Condition	Designated Standard Condition	Standard Special Condition	Special Condition	Switch off / remove condition
Section A - Interpretation, Application and Payments					
ASC 1	Definitions and interpretation	✓	✓	✓	
SC 2	Application of Section C (Transportation Services Obligation)	✓			
SC 3	Payments by the licensee to the Authority	✓			
Section B - General					
ASC 4	Charging Gas Shippers - General		✓		
ASC 4A	Obligations as Regards Charging Methodology		✓		
SC 4B	Connection Charges etc.	✓			
SC 4C	Charging of Gas Shippers - supplemental connection charges				✓
SC 4D	Conduct of Transportation Business		✓		
ASC 4E	Requirement to enter into Transportation Arrangements in Conformity with Network Code		✓	✓	
SC 5	System Development Obligations	✓			
SC 5A	Information to be provided to the Designated Registrar of Pipes	✓			
ASC 6	Emergency Services and Enquiry Services Obligations		✓		
SC 7	Provision of Information Relating to Gas Illegally Taken	✓			
ASC 8	Provision and Return of Meters		✓		
ASC 9	Network Code		✓		
SC 13	Change Coordination for the Utilities Act 2000				✓
ASC 14	Supply Point Administration Agreement	✓			
SC 16	Pipe-Line System Security Standards	✓			

Treatment of standard conditions 17 - 31

No.	Condition	Designated Standard Condition	Standard Special Condition	Special Condition	Switch off / remove condition
SC 17	Provision of Services for Persons who are of Pensionable Age of Disabled or Chronically Sick: Arrangements in Respect of Meters		✓		
SC 18	Provision of Services for Persons who are Blind or Deaf		✓		
SC 19	Arrangements in Respect of Powers of Entry		✓		
SC 19A	Authorisation of Officers	✓			
SC 19B	Exercise of Powers of Entry	✓			
ASC 20	Standards of Performance	✓			
SC 21	Complaint Handling Procedure		✓		
SC 22	Preparation, Review of and Compliance with Statements and Codes		✓		
SC 23	Record of and Report on Performance		✓		
ASC 24	Provision of Information to the Authority	✓		✓	
ASC 25	Long Term Development Statement		✓		
SC 27	Adjustment of Amounts by Reference to the Retail Price Index	✓			
SC 28	Termination of Shipping Arrangements	✓			
ASC 29	Disposal of Assets		✓		
ASC 30	Regulatory Accounts		✓	✓	
SC 30A	Change of Financial Year	✓			
ASC 31	Supply Point Administration Service		✓		

Treatment of standard conditions 32 - 48

No.	Condition	Designated Standard Condition	Standard Special Condition	Special Condition	Switch off / remove condition
Section C - Transportation Services Obligations					
ASC 32	Interpretation of Section C		✓	✓	
SC 33	Designated Registrar of Pipes	✓			
SC 38	Availability of Data Formats		✓		
ASC 39	Restriction on Use of Certain Information and Independence of Transportation Business		✓	✓	
SC 40	Appointment of Compliance Officer		✓		
SC 41	Prohibition of Cross Subsidies	✓			
ASC 45	Undertaking from Ultimate Controller	✓			
ASC 47	Indebtedness	✓			
ASC 48	Last Resort Supply: Payment Claims	✓			

Treatment of special conditions 1 - 27

No.	Condition	Designated Standard Condition	Standard Special Condition	Special Condition	Switch off / remove condition
SpC 1	Interpretation and Construction		✓	✓	
SpC 2	Restriction on Activity and Financial Ring-Fencing	Reinstate to SC 43			
SpC 3	Availability of Resources		✓		
SpC 4	Investment Grade Credit Rating as Issuer of Corporate Debt	Reinstate to SC 46			
SpC 5	Cross-Default Obligations	Replace by SC 47			
SpC 9D	Restriction of Prices for LNG Storage Services		✓	✓	
SpC 17	Operational Guidelines for Balancing				✓
SpC 18	Conveyance to Independent Systems	?			
SpC 19	Emergency Services to or on Behalf of Another Gas Transporter		✓		
SpC 23	Provision of Meter and Meter Reading Services		✓		
SpC 25A	Assignment of Licence		✓		
SpC 26	Prohibited Procurement Activities		✓	✓	
SpC 27	Licensee's Procurement and Use of System Management Services		✓	✓	

Treatment of special conditions 28 - 39

No.	Condition	Designated Standard Condition	Standard Special Condition	Special Condition	Switch off / remove condition
SpC 28A	Revenue Restriction Definitions Restriction of Revenue in Respect of the NTS Transportation Owner Activity, Distribution Owner Activity and NTS System Operation			✓	
SpC 28B	Activity			✓	
SpC 29	Allocation of Revenues and Costs for Calculation Under Price Control			✓	
SpC 30	Supplementary Provisions of the Revenue Restrictions			✓	
SpC 31	Restriction of Prices in respect of Tariff Capped Metering Activities		✓		
SpC 32	Non-Discrimination in the Provision of Metering Activities Information to be Provided to the Authority in Connection with the		✓		
SpC 33	Transportation System Review Restriction Licensee's Methodology for determining incremental entry capacity			✓	
SpC 34	volumes			✓	
SpC 35	NTS Performance Reporting			✓	
SpC 36	LDZ Incentive Scheme and Performance Reporting			✓	
SpC 37	Exit Code Statement			✓	
SpC 38	Restriction on Use of Information deriving from the En/Mo Business				✓
SpC 39	Charging of Gas Shippers - Domestic Infill Premises		✓		