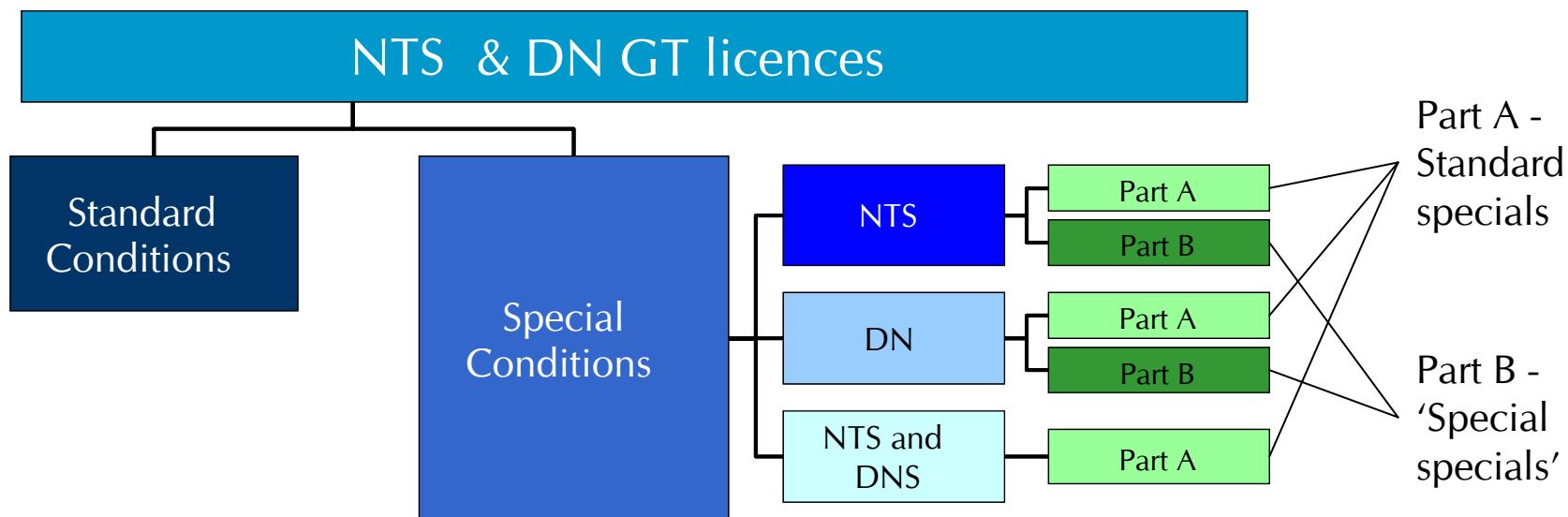


# 'Private' collective licence modification procedure

Development & Implementation Steering Committee  
19 October 2004

# Proposed licence structure



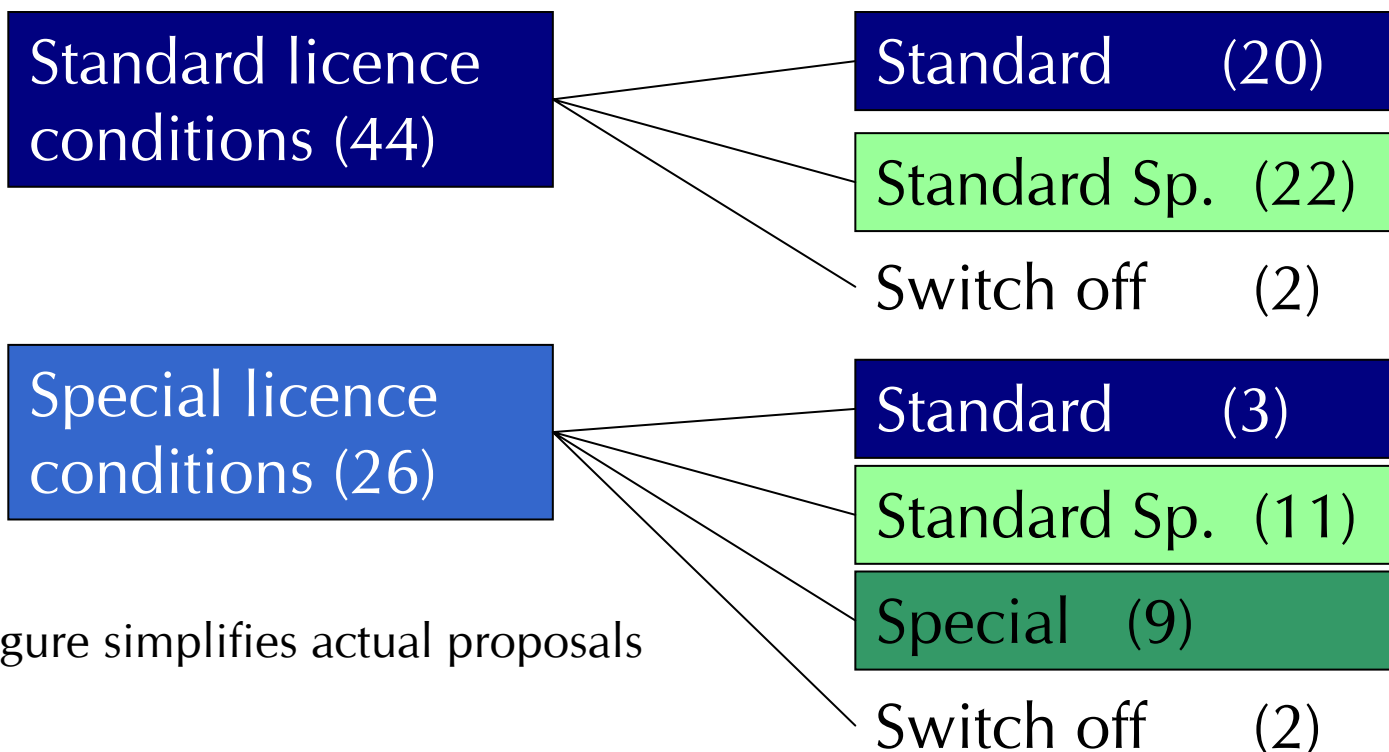
Proposed licence will contain:

- 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.

# Indicative structure of existing conditions\*

## Current

## Proposed



Majority of conditions will not be subject to statutory CLM

Figure simplifies actual proposals

# Issue - Fragmentation of licences

- In the absence of new private CLM provisions, Ofgem would require consent of individual licensee to uniformly change majority of NTS & DN GT licence conditions
  - licensing framework would become unwieldy and costly to administer
  - risk that NTS & DN licences could diverge and become inconsistent
- This outcome could potentially be detrimental to the interests of customers

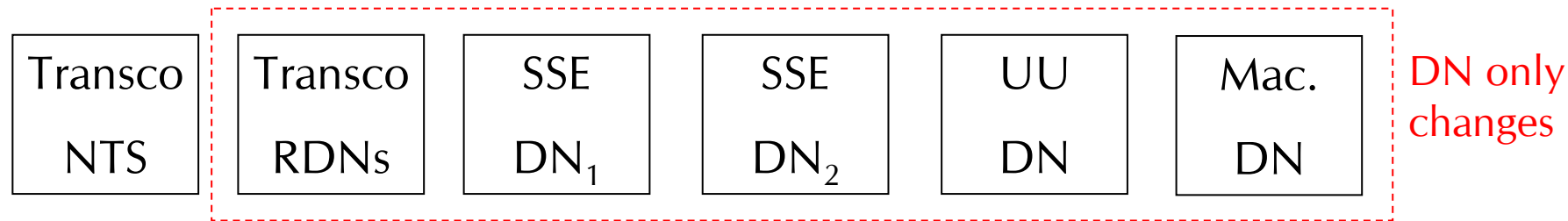
# Private CLM resolves issue

- Inappropriate fragmentation of licences addressed by a new licence condition to establish a 'private' CLM procedure that applies to NTS & DN GTs only
  - Private CLM procedure proposed to be introduced pursuant to section 7B(7)(b) of the Gas Act
- Private CLM required because Gas Act does not cater for separate NTS & DN GTs
- Under proposed approach, the licensee's consent will be required to introduce the new condition

# Proposed condition

- Initial drafting of private CLM condition largely mirrors statutory CLM provisions
  - other things being equal, prefer to model condition on Gas Act
- Relevant licence holders are able to prevent Authority from directing modification where either of the following two tests are met:
  - the objecting licence holders constitute at least 20% of relevant licence holders; or
  - the objecting relevant licence holders account for at least 20% of market share.

# Implications of using Gas Act model



- Where only DN GT licences are being amended, all relevant licence holders constitute 20% of relevant licence holders
- Statutory definition of market share
  - *weighted according to market share* based on 'quantity of gas conveyed to the premises of consumers during previous 12 months'
  - treatment of NTS?

# Way forward

- Proposed private CLM licence condition drafting published today
- Comments due 29 October
- If required, further discussion at DISG 24
- Further proposals put forward in the November licence consultation document





Promoting choice and value for all  
gas and electricity customers