

To: All holders of a gas transporter licence

MODIFICATION OF THE STANDARD CONDITIONS OF THE GAS TRANSPORTER LICENCES UNDER SECTION 23 OF THE GAS ACT 1986

NOTICE OF THE REASONS FOR THE DECISION TO MODIFY THE STANDARD CONDITIONS OF THE GAS TRANSPORTER LICENCES UNDER SECTION 38A OF THE GAS ACT 1986

1. Each of the companies to whom this Modification is addressed holds a gas transporter licence granted, or treated as granted, pursuant to section 7 of the Gas Act 1986 (the "Act").
2. In accordance with section 23(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority"):
 - (a) gave notice on 1 June 2007 (the "Notice") that it proposed to modify the standard conditions of the gas transporter licences;
 - (b) published the Notice in the manner it considered appropriate;
 - (c) sent a copy of the Notice to the relevant licence holders, the Secretary of State, the Health and Safety Executive and the Council.
3. The Authority did not receive a direction from the Secretary of State not to make the proposed licence modifications before the relevant date specified in the Notice.
4. The Authority received 1 representation in relation to the proposed licence modifications before the relevant time specified in the Notice. That representation was not withdrawn. The Authority has carefully considered all representations made in relation to the proposed licence modifications and not withdrawn.

All non-confidential representations made in relation to the proposed licence modifications are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at www.ofgem.gov.uk.
5. No notice of objection to the proposed licence modifications was given to the Authority by a relevant licence holder before the relevant date specified in the Notice.
6. It has come to the Authority's attention that some minor clarificatory and typographical amendments are required. Specifically,
 - (a) the proposed modifications to the definitions of "last resort supply direction" and "last resort supply payment" in paragraph 15(a) of standard condition 48 (proposed modifications 16 and 17 in the Schedule to the Notice) would result in unnecessary duplication; the definitions as amended would have referred to standard condition 1 (Definitions for standard conditions) of the supply licence twice. Modifications 16 and 17 have therefore been redrafted in order to prevent such duplication;

- (b) the proposed modifications to the definition of "valid claim" in paragraph 15(a) of standard condition 48 (proposed modification 17 in the Schedule to the Notice) erroneously replaced the reference to standard condition 29A (Supplier of Last Resort Supply Payments) with a reference to standard condition 1 (Definitions for standard conditions) instead of standard condition 9 (Claims for Last Resort Supply Payment). In order to preserve the meaning of this definition and consistent with the change as explained in the Notice (i.e. to ensure that references to the standard conditions of the gas supply licence in the gas transporters licences are consistent with the standard conditions of the gas supply licence as amended further to the Supply Licence Review), modification 17 has been redrafted in order to rectify this mistake.

For the avoidance of doubt, these changes do not amount to a substantive change to the modifications proposed in the Schedule to the Notice.

- 7. The background to the proposed licence modifications, including proposals in relation to the Supply Licence Review, was set out by the Authority in the following documents:

- (a) Supply Licence Review – Final Proposals (May 2007) Ref 128/07
- (b) Supplier Obligation to Use a Meter Asset Manager (MAM), (May 2007) Ref 109/07
- (c) Location of Domestic Supply Security Standards definition - SLR consequential change, April (2007) Ref 103/07
- (d) PPM recalibration open letter, April (2007) Ref 101/07
- (e) Eligibility for free gas safety checks, Consultation Letter - (April 2007) Ref 92/07
- (f) Supply Licence Review: Proposed modification to Standard Licence Condition 17 of the Gas Supply Licence, (April 2007) Ref 79/07
- (g) Reviewing the gas and electricity supply standard licence conditions (February 2005) Ref 51/05
- (h) Gas and Electricity Supply Licence Review - Way Forward (August 2005) Ref 187/05
- (i) Implications for Vulnerable Customers - Consultation Document (March 2006) Ref 42/06
- (j) Supply licence Review - Initial Policy Proposals (July 2006) Ref 113/06
- (k) Supply Licence Review - Further Proposals (December 2006) Ref 217/06

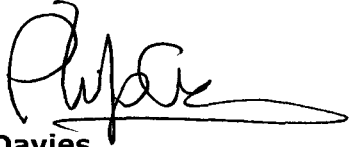
These documents are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at www.ofgem.gov.uk.

THEREFORE

In accordance with section 23 of the Act, the Authority hereby modifies the standard conditions of the gas transporter licences in accordance with the Schedule to this Modification, with effect on and from 00:00 hours on 1 August 2007.

This document constitutes a notice of reasons for the decision to modify the standard conditions of the gas transporter licences under section 38A of the Act

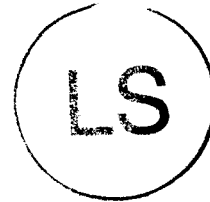
The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



Philip Davies

Director – GB Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority



6 July 2007

SCHEDULE

MODIFICATION OF THE STANDARD CONDITIONS OF GAS TRANSPORTER LICENCES UNDER SECTION 23 OF THE GAS ACT 1986

The standard conditions of the gas transporter licences are modified in accordance with the table below.

| MODIFICATION NUMBER | MODIFICATION |
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| 1 | In standard condition 5 (System Development Obligations), in paragraph 8(c)(iv), for "16 (Exchange of Information between Licensee and Relevant Transporter or Shipper for Operation, Development or Maintenance of Pipeline System and Detection and Prevention of Theft)" substitute "17 (Mandatory exchange of information)". |
| 2 | In standard condition 5 (System Development Obligations), in paragraph 8(e), for "paragraph 3(d) of standard condition 37 (Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick)", substitute "paragraph 7 of standard condition 26 (Services for specific Domestic Customer groups)". |
| 3 | In standard condition 5 (System Development Obligations), in paragraph 8(g), for "17 (Reading, Inspection and Testing of Meters)", substitute "12 (Matters relating to Gas Meters)". |
| 4 | In standard condition 5 (System Development Obligations), in paragraph 11, for "29 (Supplier of Last Resort)", substitute "8 (Obligations under Last Resort Supply Direction)". |
| 5 | In standard condition 5 (System Development Obligations), paragraph 12 is omitted. |
| 6 | In standard condition 6 (Emergency Services and Enquiry Service Obligations), in paragraph 13(a), for "paragraph 2 of standard condition 14 (Security and Emergency Arrangements)" substitute "paragraph 1 of standard condition 16 (Security and emergency arrangements)". |
| 7 | In standard condition 6 (Emergency Services and Enquiry Service Obligations), in paragraph 13(b), for "paragraph 3(b) of standard condition 15 (Security and Emergency Arrangements)" substitute "paragraph 4(b) of standard condition 16 (Security and emergency arrangements)". |
| 8 | In standard condition 6 (Emergency Services and Enquiry Service Obligations), in paragraph 19(b)(i), for "paragraph 3 of standard condition 15 (Security and Emergency Arrangements)" substitute "paragraph 4 of standard condition 16 (Security and emergency arrangements)". |
| 9 | In standard condition 8 (Provision and Return of Meters), in paragraph 6, for "17 (Reading, Inspection and Testing of Meters)", substitute "12 (Matters relating to Gas Meters)". |

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| 10 | In standard condition 9 (Network Code), in paragraph 1(d), omit "(within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences)". |
| 11 | <p>In standard condition 9 (Network Code), after paragraph 1, insert:</p> <p>"1A. In paragraph 1 sub-paragraph (d), "domestic supply security standards" means, subject to paragraph 1B,</p> <p>(a) the availability of a supply of gas which would equal the peak aggregate daily demand for gas by the relevant gas supplier's current domestic customers which, having regard to historical weather data derived from at least the previous 50 years and other relevant factors, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years; and</p> <p>(b) the availability of supplies of gas-</p> <p>(i) over a year which would equal the aggregate annual demand for gas by those customers; and</p> <p>(ii) over the first six months of a year which would equal the aggregate demand for gas by those customers during such a six month period,</p> <p>which, in each case, having regard to such data as aforesaid and other relevant factors, is likely to be exceeded only in 1 year out of 50 years.</p> <p>1B. For the purposes of paragraph 1A, "daily" means over a period beginning at 6am on one day and ending immediately before 6am on the following day and "year" means a period of 12 months beginning with 1 October; and if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and the Consumer Council, the Authority is satisfied that the domestic supply security standard would be adequate if paragraph 1A were modified-</p> <p>(a) by the substitution, in paragraph 1A(a) or (b), of a reference to data derived from a period of less than the 50 previous years;</p> <p>(b) by the substitution in paragraph 1A(a) of a higher probability than the 1 in 20 years mentioned in that paragraph; or</p> <p>(c) by the substitution in paragraph 1A(b) of a higher probability than the 1 in 50 years</p> |

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| | <p>mentioned in that paragraph,</p> <p>the Authority may, subject to paragraph 1C, make such modifications by notice which-</p> <ul style="list-style-type: none"> (i) is given and published by the Authority for the purposes of this condition generally; and (ii) specifies the modifications and the date on which they are to take effect. <p>1C. Paragraph 1A(a) shall only be modified if, at the same time, the Authority makes similar modifications to-</p> <ul style="list-style-type: none"> (a) paragraph 2(b) of standard condition 16 (Pipe-line System Security Standards); and (b) sub-paragraph (b) of the definition of "security standards" in standard condition 1 (Definitions and Interpretation) of the standard conditions of gas shippers' licences". |
| 12 | In standard condition 16 (Pipe-Line System Security Standards), in paragraph 1(c), for "paragraph 3 of standard condition 14 (Security and emergency arrangements)" substitute "paragraph 4 of standard condition 16 (Security and emergency arrangements)". |
| 13 | In standard condition 16 (Pipe-Line System Security Standards), in paragraph 3(a), for "paragraph 6(b) of standard condition 14 (Security and Emergency Arrangements) and paragraph 5(a) of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of gas suppliers' licences", substitute "paragraph 1A(a) of standard condition 9 (Network Code)". |
| 14 | In standard condition 28 (Termination of Shipping Arrangements), in paragraph 1, for "24B (Undertaking to be Given by Licensee to Relevant Transporter in Respect of Shipping Charges etc)" substitute "18 (Undertakings to Relevant Gas Transporters)". |
| 15 | In standard condition 28 (Termination of Shipping Arrangements), in paragraph 2(c), for "standard condition 15 (Security and emergency arrangements)" substitute "standard condition 16 (Security and emergency arrangements)". |
| 16 | In standard condition 48 (Last Resort Supply: Payment Claims), in paragraph 15, omit ", respectively, the meanings given to them in standard conditions 29 (Supplier of Last Resort) and". |
| 17 | In standard condition 48 (Last Resort Supply: Payment Claims), in paragraph 15: <ul style="list-style-type: none"> (a) for "29A (Supplier of Last Resort Supply Payments)", where it first appears, substitute " the meaning given |

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| | <p>to them in standard condition 1 (Definitions for standard conditions)";</p> <p>(b) for "29A (Supplier of Last Resort Supply Payments)", where it next appears, substitute "9 (Claims for Last Resort Supply Payment)".</p> |
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