

## NOTICE UNDER SECTION 23 (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 treated as granted to National Grid Gas plc (“**NGG**”) in respect of its National Transmission System (“**NTS**”) under section 7 of the Act in summary as follows:
  - (a) Removing and replacing the following Special Conditions with the Special Conditions set out in Schedule 1 of this Notice:
    - (i) Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity);
    - (ii) Special Condition C9 (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity);
    - (iii) Special Condition C10 (Excluded Services);
    - (iv) Special Condition C15 (Licensee’s methodology for determining incremental entry capacity volumes);
    - (v) Special Condition C16 (NTS performance reporting);
    - (vi) Special Condition C17 (Exit Code Statement); and
    - (vii) Special Condition C18 (Licensee’s methodology for determining the release of NTS exit capacity volumes).
  - (b) Removing Special Condition C8B and replacing that condition with the following Special Conditions set out in Schedule 2 of this Notice:
    - (i) Special Condition C8B (The NTS transportation owner activity revenue restriction);
    - (ii) Special Condition C8C (NTS System Operator Revenue Restriction);
    - (iii) Special Condition C8D (NTS gas entry incentives, costs and revenues);
    - (iv) Special Condition C8E (NTS gas exit incentives, costs and revenues);
    - (v) Special Condition C8F (NTS System Operator external incentives, costs and revenues);and
    - (vi) Special Condition C8G (NTS System Operator internal incentives, costs and revenues).

(c) Inserting the following Special Conditions set out in Schedule 3 of this Notice:

- (i) Special Condition C1B (Amendments to Standard Special Conditions A37 (Availability of Resources) and A40 (Price Control Review Information))
- (ii) Special Condition C14B (Price Control Revenue Reporting and Associated Information);
- (iii) Special Condition C11 (Transmission Planning Code);
- (iv) Special Condition C13 (Network Output Measures);
- (v) Special Condition C24 (Network Model); and
- (vi) Special Condition C25 (Promoting competition in the provisions to the licensee of system support and operating margins services).

2. The Authority proposes to make these licence modifications for the purpose of implementing the revised transmission price control for NGG set out in "*Transmission Price Control Review: Final Proposals, Decision Document, 4 December 2006, Ref: 206/06*".
3. This Notice replaces the *Notice under section 23(3) of the Gas Act 1986* dated 25 June 2007 (the "June Notice"). Prior to the close of the consultation period in respect of that Notice, the Authority received three representations and no objections in relation to the proposed modification of the special conditions of the Licence as detailed in that Notice. No responses were withdrawn. These representations identified a number of amendments to the text of the proposed modifications. The Authority has carefully considered the representations and concluded that several of these suggested amendments are sufficiently material that they require further consultation. All non-confidential responses are available from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (0207 901 7003) or from the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
4. Accompanying this Notice, the Authority has published a change marked version of the proposed licence modifications. This highlights the further amendments that the Authority has made to the proposed licence text set out in the June Notice in light of the representations received to the June Notice.
5. As set out in the *Notice under section 23(3) of the Gas Act 1986* dated 30<sup>th</sup> March 2007, this Notice represents the second stage of the statutory consultation process on further proposed licence modifications of this Notice which are considered necessary to give full effect to the transmission price control review final proposals which the Authority proposes will be applied with retrospective effect from 06:00 hours on 1 April 2007.
6. The Authority intends to publish a further Notice under section 23(3) of the Gas Act 1986 to modify Special Condition C14 (Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity and NTS system operation

activity) to make consequential amendments arising from these proposed modifications.

7. This documents referred to in paragraphs 2, 3 and 5 above 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](http://www.ofgem.gov.uk).
8. Any representations or objections to these proposed licence modifications may be made on or before 28 August 2007 and sent to:

Robert Hull  
Director, Transmission  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Or by email to [tpcr.responses@ofgem.gov.uk](mailto:tpcr.responses@ofgem.gov.uk)

All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their responses as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the website.



**David Gray**  
**Managing Director, Networks**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**  
**30 July 2007**