

GDPCR: Second Licence Drafting Consultation Document

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Target audience: Consumers and their representatives, gas distribution networks (GDNs), the national transmission system (NTS), independent gas transporters (IGTs), gas shippers and suppliers and any other interested parties.

Overview:

This document contains the supplementary appendices for the Gas Distribution Price Control Review's (GDPCR's) updated licence drafting consultation document. The supplementary appendices provides a summary of respondents' views and the proposed draft licence conditions that are necessary to make our proposals for the Gas Distribution Price Control Review (GDPCR) effective. The proposed modifications are consistent with our final proposals for GDPCR. This is likely to be the final informal consultation on the licence conditions and the next consultation is likely to take the form of a statutory consultation.

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Context

Part of the gas distribution price control review is to ensure that the gas transporters' licence conditions reflect our final proposals. The GDPCR final proposals document was published on 3 December and this document sets out the changes to the licence conditions to make the final proposals effective.

Although GDPCR primarily affects the GDNs this document also includes changes to the IGT licence conditions, to ensure consistency with changes to the GDNs' licences, and to NGG NTS's licence conditions where appropriate. These areas are highlighted in the introduction chapter and also in each of the relevant chapters.

This will be the final opportunity for respondents to comment on the licence drafting before we issue the statutory consultation, which we intend to do in February 2008.

Associated Documents

- GDPCR Final Proposals Document, December 2007 (Ref. 285/07);
- Open letter on Ofgem's proposals to implement revised standards of performance arrangements for gas transporters, November 2007 (Ref. 279/07);
- Electricity Distribution Licence Review: Proposals, October 2007 (Ref. 259/07);
- GDPCR Updated Proposals Document, September 2007 (Ref. 226/07);
- GDPCR Initial Licence Drafting Consultation, September 2007 (Ref. 221/07);
- Supply Licence Review - Final Proposals, June 2007 (Ref. 128/07);
- GDPCR Initial Proposals Document, May 2007 (Ref. 125/07);
- GDPCR Fourth Consultation Document, March 2007 (Ref. 49/07);
- GDPCR One Year Control Final Proposals, December 2006 (Ref. 205/06); and
- GDPCR Third Consultation Document, November 2006 (Ref.203/06).

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Appendix 5 – Summary of responses to initial licence drafting consultation

1.1. This appendix summarises the responses received from GDNs and other interested parties to questions posed in the initial licence drafting consultation document, published in September 2007, together with our views.

1.2. We received 11 non-confidential responses from the following organisations:

- CE Electric;
- Centrica;
- Energywatch;
- National Grid Gas Distribution (NGGD);
- National Grid Gas Transmission (NGGT);
- Northern Gas Networks (NGN)
- RWE npower;
- Scotia Gas Networks (SGN);
- Statoil;
- Wales and West (WWU); and
- xoserve.

1.3. Responses are available on Ofgem's website (www.ofgem.gov.uk).

1.4. Please note that when summarising respondents' views, we have referred to each GDN company as a single GDN, even if the company owns more than one GDN.

1.5. This section sets out the responses to the specific questions raised in the initial licence drafting consultation document. In Appendix 6 we set out logs of the detailed licence drafting comments provided by respondents and our views on these comments.

Responses to Chapter 2 – Proposed modifications to the Special Conditions in Part E

1.6. This chapter set out a summary of our proposed changes to the Special Conditions in Part E.

Should shippers continue to raise Income Adjusting events (IAEs) to the exit incentive?

Views of GDNs

1.7. One of the GDNs says that shippers should retain the right to raise an IAE in the interests of transparency and equity. Another GDN considers that the proposed

drafting is an appropriate balance between the interests of gas transporters and, through shippers, consumers.

1.8. Two GDNs do not consider that shippers should continue to be able to raise IAEs. One of these GDNs says that the licence is a regulatory contract between Ofgem and the licensee and it is inappropriate for another party to have the potential to change this contract which would increase regulatory risk, undermine the incentives and increase regulatory burden. The other GDN says that, as far as it is aware, this provision has not been used and it is difficult to see how it could be used. This GDN thinks that an IAE is unlikely to reduce distribution costs.

Views of other respondents

1.9. One non-GDN expressed support for shippers raising IAEs as it provides a necessary counter balance but noted that shippers are constrained by information asymmetry. This respondent does not consider the provisions should be removed; rather the industry should address the underlying problem. Energywatch also considers that existing parties should have the ability to raise IAEs since these could relate to both decreases and increases in costs. Energywatch expects that a party raising a claim provides full supporting evidence.

Ofgem's view

1.10. Having reviewed respondents' views we consider that the shippers should retain the ability to raise IAEs to the exit incentive. We would welcome views on how to address the information asymmetry problems which may constrain shippers from raising the IAEs.

How should an IAE associated with TMA costs be constrained without limiting costs to permit costs?

Views of GDNs

1.11. One of the GDNs does not believe that there should be a materiality level for a TMA re-opener as there is less uncertainty about the scope of the TMA and estimated costs in the first year are significant. Two GDNs think that an ex ante allowance is also required and three GDNs consider that pass through of efficiently incurred costs each year should also be allowed.

1.12. All of the GDNs support the inclusion of other costs in addition to permit costs, including fixed penalty notices, S74 overrun charges and inspections.

Views of other respondents

1.13. No specific comments were made by other respondents.

Ofgem's view

1.14. We have reviewed GDN comments on the inclusion of appropriate costs associated with TMA and have amended SC E7 accordingly. We consider that the concerns raised about the materiality threshold associated with TMA costs is addressed by allowing GDNs to accumulate TMA costs over the years in order to reach the threshold.

1.15. As part of final proposals we have made an allowance for systems development and other administrative costs associated with TMA. We did not consider it appropriate to allow additional costs to be passed through.

Are there any other changes to SC Part E that are necessary to make the GDPCR effective?*Views of GDNs*

1.16. Three GDNs note that various other changes will be needed following publication of GDPCR updated and final proposals. One of these GDNs proposed a number of drafting changes which have been set out in the respondents' views logs. Another of these GDNs also notes that there are still issues to be resolved as part the review which are also set out in the respondents' views logs.

1.17. One GDN says that in general the overall structure of the draft conditions is what is necessary to make the GDPCR effective.

Views of other respondents

1.18. No specific comments were made by the non-GDN respondents.

Ofgem's view

1.19. Our views are set out in the respondents' views logs.

Are there any changes to SC Part E that are inappropriate?*Views of GDNs*

1.20. One of the GDNs is concerned about the business rates adjustment in E3. It considers that a zero allowance for these costs post 2010 places an unacceptable degree of risk on the GDNs in an area where GDNs have a limited ability to influence the costs. The risk is that the rates will not be unfunded which would leave the GDNs unable to finance their activities. This GDN considers that the base allowed level of rates for 2010-11 should be the same as the previous years rates cost not zero. It considers that the reasonable endeavours test should be applied to any increase to the 2009-10 costs.

1.21. Two of the GDNs listed detailed comments on the individual conditions within SC Part E. These can be found in the log of respondents' views to Part E.

Views of other respondents

1.22. Energywatch expects Ofgem to retain relevant licence conditions, such as Special Condition E11, until the cost reporting framework has proven to work effectively.

Ofgem's view

1.23. The base revenue allowance (Zt) will include an estimation of business rates based on recent actual costs. This will be automatically inflated. The business rates adjustment is only to reflect any differential between the actual rates and this estimate, so in the event that the GDNs are no longer entitled to include this adjustment they will still have the great majority of their business rates funded.

1.24. Our views on the GDNs' detailed comments are set out in the log of respondents' views to Part E.

Are there any other changes to SC Part E that are desirable but not necessarily associated with GDPCR?

Views of GDNs

1.25. One GDN says that there are no such changes that are necessary or desirable and another GDN has no suggestions at this stage.

1.26. One GDN considers that SC E11 can be removed as the cost reporting process will provide transparency on cost allocation. This GDN thinks that this statement could be moved to the Regulatory Accounts licence condition and that the requirement for independent audit is unnecessary since the Regulatory Accounts are audited.

1.27. Finally, one GDN listed various detailed changes that it considers appropriate to SC part E. These can be found in the log of respondents' views to Part E.

Views of other respondents

1.28. No specific comments were made by other respondents.

Ofgem's view

1.29. Our detailed views are set out in the log of respondents' views to Part E. We are still considering the appropriateness of SC E11 (now SCE17), but we note that the audit of the regulatory accounts is unlikely to be conducted in such a way to

provide full assurance that the allocation of costs is appropriate and consistent with the GDNs' stated methodology.

Responses to Chapter 3 - Other proposed modifications

1.30. Chapter 3 set out the proposed modifications to the Standard Special Conditions in Part A and Part D. It also set out our proposals to amend Standard Licence Condition (SLC) 4B - Connection Charges and the Gas (Standards of Performance) Regulations.

Are our proposed changes to SSC in Part A and D appropriate?

Views of GDNs

1.31. One GDN says that in general it considers the proposed changes to SSC in Part A and D appropriate but it suggests that SSCs A19-22 be moved to part D as they are concerned with GDNs' activities and are not relevant to the NTS.

1.32. A GDN is concerned with the obligations in A37 which requires additional financial information to be provided with the Availability of resources statement. It considers that the drafting constitutes an inappropriate level of micro management with little value to the Authority. This GDN is also concerned with the absolute nature of the requirement to achieve the gas escapes standard in D10. It considers that there should be an exceptional circumstances provision which would require Ofgem consent to avoid a company being in automatic licence breach under these circumstances. Finally, this GDN considers that the metering obligations should be reviewed and considers that the NG investigation has no direct bearing on the nature of the last resort obligations on it.

1.33. Another GDN is concerned with the one hour emergency response standard and supports the exclusion of events which are out of the GDNs' control from the measure of response to gas emergencies. This GDN is also concerned that the SI is complex and does not achieve the stated aim in respect of payments to consumers on downstream networks where the loss of supply is a result of a failure on another GT's network.

1.34. Another GDN considers that the Authority has not provided evidence to support changes to A19-22, for example, requiring the licensee to have in place arrangements for access to premises. This GDN considers that the current licence condition has worked and the Authority has not shown any adverse interest to the public necessitating change. The GDN considers the changes to be micro management and micro regulation of the licensees' activities.

1.35. Two GDNs provided detailed comments which can be found in the logs of respondents' views to Parts A and D.

Views of other respondents

1.36. One of the other respondents considers the proposed changes for SSCs A34, A35, A37 and A38 appropriate. It provided specific comments which are included in the logs of respondents' views to Parts A and D.

1.37. Another non-GDN proposes a rewording of the additions to A15 to be more consistent with the rest of A15.

1.38. One non-GDN is concerned that A15 does not appear to require GDNs to consult shippers when preparing their joint agency charging statement for user pays services. Although it is not standard practice for transporters to consult on changes they propose to make to their level of charges, this respondent considers that the statement includes both the methodology for deriving these charges and the scope of the core services and user pays services, which are important matters to shippers. This respondent suggests that the drafting should be amended to include a period of consultation with interested parties or to ensure that the scope of the user pays services and methodology falls within the provisions of SLC 4A.

1.39. Energywatch considers SSC D10 provides an effective standard and should be observed. It considers that SSCs A19 to A21 should reflect that the statements and procedures prepared by the licensee in accordance with those conditions also appear in a format which is accessible to specific groups of domestic consumers, for example, Braille for blind consumers. With respect to SSC A22, Energywatch thinks that GDNs should recognise the value that consumers who ask for the place on the provision, and use, of passwords.

Ofgem's view

1.40. We remain of the view that the metering obligations should be not be reviewed while the Competition Act investigation against National Grid in the market for the provision of domestic-sized meters is ongoing.

1.41. We have responded to the rest of the comments in this section in the respondents' views logs

Is the information provided by the GDNs under SSC D5 - licensee's procurement and use of system management services, useful? Is there any specific additional information that GDNs can provide to increase transparency in the use of their constraint management tools?

Views of GDNs

1.42. One GDN considers the drafting changes proposed to be useful and appropriate.

1.43. Three GDNs think the condition should be removed. One of these GDNs suggests that if the condition is not removed, it should be reduced to provide minimum constraint management services information and to allow Ofgem to issue derogations from the remaining obligations. Another says that if it is not removed, GDNs should prepare one statement describing the tools they may use to manage constraints and the basis on which they will do so. This GDN considers that the reporting requirements could be incorporated into other reporting requirements. If the report is retained, it supports the removal of the audit. It considers that GDNs should only consult on the statement if they propose to make changes. The third GDN considers that the condition was drafted to meet the requirements for disclosure at the NTS rather than DN level and so the condition can be removed.

Views of other respondents

1.44. One non-GDN considers that as GDNs continue to be incentivised on shrinkage costs the reporting requirement should remain in the interests of transparency and to allow interested parties to satisfy themselves of the efficiency of GDN procurement actions.

Ofgem's view

1.45. We intend to review SSC D5 and the RIGs in the context of the reporting obligations and consider the most appropriate way to collect the relevant information. The comments on SSC D5 will assist us in this review.

Is it appropriate to remove D7 - exit code statement? If so why?

Views of GDNs

1.46. One GDN states that it is unclear what value D7 provides after the formal separation of Transmission and Distribution, and thinks D7 and the corresponding C17 in transmission licence should be removed. Two GDNs support the removal of D7 obligations for IDNs. One of these says that it currently reports services provided under NSAs, which are covered by de minimis exemptions and would now be in excluded services. It considers that the exit code is only relevant for RNs as NGG also has TO and SO functions. Two GDNs think that any required data can be obtained through the cost and revenue reporting RIGs.

1.47. One of the GDNs has no views on this issue.

Views of other respondents

1.48. No specific comments were made by other respondents.

Ofgem's view

1.49. We will consider the usefulness of SSC D7 as part of our review of the cost and revenue reporting packs and RIGs.

How should the scope of A40 be defined to capture information from GDN affiliates or related undertakings?*Views of GDNs*

1.50. One GDN considers that an absolute licence condition to obtain information with immediate effect could lead to GDNs breaching the condition if they have not had time to co-ordinate the collation of data from affiliates because the form of the cost reporting pack is unknown. This GDN considers the timescales onerous for the first year and suggests the provision to derogate to allow for teething problems in the first year and to allow for flexibility in future years. It also considers that the reporting obligations should be staggered for transmission and distribution to avoid the need for additional resources to meet the reporting timetables.

1.51. A GDN does not think that it is possible to construct a generic licence condition; rather it is best if Ofgem approach each situation on a case by case basis. This GDN says that there are several areas of the licence where Ofgem could take action if a company does not provide required information.

1.52. One GDN does not consider that affiliated companies should be treated differently to external third parties and that the licence should only cover the licensee. It considers that there is a risk of creating perverse incentives to outsource whether it is most efficient or not.

1.53. Another GDN considers that the licence should only cover the licensee. This GDN considers that the Authority already has the necessary power under the terms of the general information gathering provisions and ultimate controller undertakings in respect of information which relates to the licensee.

Views of other respondents

1.54. xoserve notes that it is happy to provide information as part of the price control review process and suggests that the definition of affiliate or related undertaking in A15 should make clear that this includes agency.

Ofgem's view

1.55. We are continuing to consider the appropriate way to ensure we capture the information we require in order to facilitate setting subsequent price controls, but we remain of the view that it is important to capture information at the required level regardless of whether the work is carried out by the GDN, a related party or another party that does not fall within the definition of related party. We are happy to receive price control review information directly from xoserve, but note that in the event that we agree this, the responsibility for this information remains with the GDNs.

Do respondents believe that the powers of the Authority should be similar to those that exist in respect of connection charges on other categories of gas and electricity networks?

Views of GDNs

1.56. One GDN says that although there is merit in providing consistent regulatory treatment between electricity and gas networks, the characteristics of the gas and electricity networks and markets are different and so may warrant different frameworks. It considers that Ofgem should satisfy itself that the existing provisions are not working and that additional regulation is therefore necessary.

1.57. One GDN says that it is not aware of any issues related to connection charging methodology and that competition has developed in certain areas of the gas connections market. It considers that this change is being proposed simply for consistency and not to address any specific problems.

1.58. Another GDN states that Ofgem has previously noted that competition is significantly more advanced in gas connections than electricity therefore there should be a reduction in regulation not an increase. This GDN considers that Ofgem already has significant powers of determination.

1.59. Another GDN does not consider that regulation similar to electricity networks is needed as gas connection activities are significantly more advanced in terms of competition. It considers that the Authority should be moving away from regulation in the gas connections sector. It notes that where there are individual issues over the appropriateness of gas connection charges, Ofgem has powers (Sections 21 and 27a of the Gas Act) to make individual determination as well as to make them of generic application. It considers this to be a clear, appropriate and proportionate means of dealing with this issue.

Views of other respondents

1.60. No specific comments were made by non-GDN respondents.

Ofgem's view

1.61. Ofgem recognises that a significant degree of competition has developed in the gas connections market and it is not our intention to increase the regulatory burden beyond that which might be required to facilitate effective competition for the benefit of gas consumers. However there continues to be certain market segments where competition has not yet developed. These include upstream reinforcement and one off connections. Ofgem is of the view that given these circumstances it is justified in seeking more specific and explicit powers for the Authority over connection charging methodologies. We also note the inclusion of a Network Extensions incentive within the 2008-13 price control. Rather than reflect the provisions of this incentive in a specific licence condition we believe that a more flexible approach is to allow GDNs to reflect these in their connection charging methodology.

Do respondents believe that the need to consult prior to amending the charging methodology is unduly onerous?

Views of GDNs

1.62. None of the GDNs see the need to consult.

1.63. One GDN says that a consultation process could restrain its discretion to develop charging structures to enable it to recover its costs efficiently with a risk of a disallowance at subsequent price controls. This GDN considers that the current approach to the charging methodologies works adequately and would like evidence to justify additional licence obligations. It considers that the proposed paragraph 6 of 4B is not a feature of the equivalent Condition 4B of the electricity licence or the revised draft as part of the electricity network operators licence review. Finally, this GDN considers that Ofgem should have regard to the Better Regulation principles of proportionality and targeting.

1.64. Another GDN sees little value in a consultation exercise as the majority of connections work is undertaken for individual one-off domestic customers.

1.65. Two GDNs say that the obligations would cause delays. They say that the lag would result in re-quoting work creating administrative burden. One of these GDNs notes that there is no consultation requirement in electricity.

Views of other respondents

1.66. One non-GDN says that since the changes to SC 4B will also affect IGTs, it should be part of a separate consultation as it has concerns about the visibility of the consultation process. It also suggests developing separate conditions for NTS, GDNs and IGTs depending on the issues which come to light during the consultation.

Ofgem's view

1.67. Ofgem continues to be of the view that a consultation process is necessary to allow the Authority to make an informed decision about any proposal to amend the connection charging methodology. While competition does exist in the connections market, the market cannot be described as being fully contestable or competitive and any methodology will apply to market segments with varying degrees of openness to competitive pressures.

1.68. We believe that the concerns expressed by respondents with regard to how a consultation process might curtail their ability to react to market developments can be addressed by an appropriate separation between the charging methodology and any statement of charges. Our view is that a methodology should consist of a broad statement of principles and policies with regard to connection charges and should therefore not require continual amendment. The statement of charges on the other-hand would be the detailed application of these principles and policies and would be subject to regular update without the approval of the Authority being required.

1.69. Ofgem recognises the concerns that have been expressed to us and are willing to discuss further what aspects of connection charging should be in the methodology statement and which should be in a statement of charges.

Responses to Chapter 4 - Next steps

1.70. This chapter set out the timetable for the licence drafting consultation.

Is the timetable set out in this chapter appropriate?

Views of GDNs

1.71. All of the GDNs consider the timetable appropriate. One of the GDNs considers it essential for the RIGs to be finalised before the Section 23 notice is issued in February 2008.

Views of other respondents

1.72. One non-GDN says it considers the timetable appropriate. This respondent notes that the statutory licence and SI consultation is scheduled for 15 February and anticipates that this will incorporate the private collective licence modification process.

Ofgem's view

1.73. We are continuing to work towards issuing a statutory consultation on the draft licence conditions in February 2008 which will incorporate the private collective licence modification process where appropriate. The statutory consultation for the SI will be published earlier, in January 2008.

Appendix 6 - Respondents' detailed views on licence drafting

1.1. This chapter sets out a log of the detailed views of respondents on the draft licence conditions, together with our views. This section does not take account of marked up changes that some respondents have provided to the draft licence conditions. The references to licence condition paragraphs in the logs relates to paragraphs in the licence conditions included in the GDPCR initial licence drafting consultation document appendices. We have endeavoured to include the comments of all respondents but if you consider that your views have been omitted please let us know.

Log of respondents' views to SC Part E

SC E1 – Revenue restriction definitions in respect of the Distribution Network		
1	NGGD	Some of the defined terms in part E1 refers to terms which have been removed from the NTS licence.
	Ofgem's view	These defined terms are no longer required and have been removed.
SC E2 – Restriction of revenue in respect of the Distribution Network Transportation Activity		
2	NGGD/ WWU	RPI _t term erroneously includes a division by 100.
	Ofgem's view	Agreed. Changes made.
3	NGGD	RPI _t term should be consistent with the Gas Transmission licence condition.
	Ofgem's view	The RPI term is different to the gas transmission licence condition because in the distribution licence the value of Z_t is different for each year t and so the principal formula for the revenue restriction does not roll forward year on year using a constant x . The RPI term has also been simplified from the transmission definition. Nevertheless the underlying basis of RPI calculation is consistent between the licences, i.e. it is based on comparing average RPI for the 6 months from July-December in one year with another.
4	NGGD/ WWU	Part E should refer to formula year not relevant or financial year.
	Ofgem's view	Agreed. Changes made.
SC E3 – Distribution Network allowed pass through items (Ft).		
5	NGGD	Paragraph 3(b) - the term should be amended to give the date by which Ofgem will determine whether to allow a pass through of costs.

	Ofgem's view	Disagree. Could be difficult to determine how long this should be.
6	NGGD	Paragraph 6 - GDNs should not be exposed to 5% of TPWI compensation costs in the event that the cap is exceeded. GDNs will be paying additional compensation levels for failures for which they are not responsible.
	Ofgem's view	GDNs have some control over the speed at which the issue is resolved. The costs provide an incentive to resolve the problem promptly.
7	SGN/ WWU/ NGN	It is not appropriate for business rates to revert to zero in 2010. GDN exposure should be limited to pre and post revaluation costs.
	Ofgem's view	The business rates do not revert to zero in 2010. GDNS' exposure is only likely to be greater than if pre-revaluation costs were used if rates systematically increase between revaluations faster than inflation. We are not aware of evidence that this is the case.
8	NGN	Paragraph 3(a) - there should be greater clarity on the process, timetable and definition of reasonable endeavours. The earliest that NGN will see a preliminary valuation is June 2009 and there is no certainty when this will be included.
	Ofgem's view	We do not consider that it is appropriate to provide this level of detail in the licence.
9	NGN	Definition of MPt has a superfluous bracket.
	Ofgem's view	Agreed. Changes made.
10	NGN	The definition of Distribution Network Pension Deficit charge is missing.
	Ofgem's view	This definition has been re-inserted.
11	SGN	The regulated LNG charge associated with independent systems should be a pass through item.
	Ofgem's view	We do not consider that this should be a pass through item, rather that it should be subject to efficiency incentives.
12	SGN	Emergency call handling should not be an excluded service. The charges should be price controlled as part of NGG's allowed revenue and as a pass through item in IDN licences.
	Ofgem's view	We decided in final proposals to retain emergency call handling as an excluded service.
13	WWU	Paragraph 1 refers to the maximum allowed transportation revenue. This is not defined and should be 'maximum Distribution Network transportation activity revenue.
	Ofgem's view	Agreed. Changes made throughout document.
14	WWU	TPWI _t and TPWR _t should be increased by RPI because the figures used are in respect of t-1.
	Ofgem's view	The RPI adjustment will take account of costs incurred in t-1 and adjust to present day costs.
SC E5 – Mains and services replacement expenditure adjustment (MRSAt)		
15	NGGD/	Application of the mains and services cap needs to be consistent

	SGN	with GDPCR updated proposals.
	Ofgem's view	Agreed. Changes made.
16	NGGD	Diameter bands on Annex G are not consistent with GDPCR Updated proposals.
	Ofgem's view	Diameter bands have been changed to be consistent with GDPCR Final Proposals.
17	NGN	Definition of included mains and service. After 'and comprised of non-standard mains materials' add 'which are decommissioned and replaced'.
	Ofgem's view	Agreed. Changes made.
18	NGN	Paragraph 3 - the cap does not work as it uses actual costs (Et), which are already taken into account in the allowance incentive annual calculation.
	Ofgem's view	The drafting for the cap has been removed. The provisions for any overspend of the total mains and services allowance was set out in GDPCR Final Proposals.
19	NGN	Definitions – non domestic premises should be added, rename re-laid as replaced, to definitions for services relaid and services transferred add 'including associated purge and relight', should have an additional definition for non domestic services transferred.
	Ofgem's view	Agreed. Definitions added.
20	NGN	Annex G – graduations are not precisely defined. What happens to a 3.5 inch main for example.
	Ofgem's view	Our view is that pipes are standard sizes and so no further definitions are required.
21	WWU	RPIt should be a division not a subtraction.
	Ofgem's view	RPIt is a subtraction from the formula but Jt is multiplied by RPIt.
SC E6 – Distribution Network exit capacity costs and incentive revenue (Ext)		
22	NGGD	Paragraph 2 – ExCt is a formula year and it cannot have one value before 1 October and another after 1 October.
	Ofgem's view	The ExCt term has been adjusted to apply for the formula year i.e. it applies until 31 March 2011.
23	NGGD	Paragraphs 5,6,11 and 12 – the charges applied to the target and actual capacity allocations are the daily charges for the formula year. This creates an inconsistency in that charges for the period April to September relates to capacity allocations from October onwards. If there is a substantial rebalancing of NTS exit charges this could lead to a DN optimising the pattern of NTS exit capacity allocations for October onwards in part by reference to the previous April- September NTS exit charge. Target and deemed costs should be calculated by reference to the charges and capacity for 1 October to 31 March and scaled up by 365/182 to provide an annual equivalent.
	Ofgem's	These changes have been made to the application of the new

	view	incentive but not for the existing incentive as these provisions have been consulted on and approved by the GDNs.
24	NGGD	An appropriate target set for the interruption incentive between 1 October 2008 and 1 October 2011. Currently there is no incentive proposed and this reflects only downside risk with no incentive for out-performance.
	Ofgem's view	We will consider whether it is appropriate to extend the interruption incentive up to October 2011 but do not consider that it is necessary to do so as part of GDPCR. We will endeavour to resolve this issue by April 2008.
25	NGGD	Paragraph 9 should be deleted. The intention was to ensure that GDNs put a charging methodology in place consistent with this paragraph. GDNs have put the methodology in place and Ofgem can veto any changes to the methodology. Moreover, the methodology in place differs to paragraph 9 as the payments relate to daily capacity on the day of interruption rather than capacity on 15 January. GDNs are required to report the values in paragraph 9 each year. The calculation and reporting of the values increase GDN costs without any benefit.
	Ofgem's views	We have added the words 'unless the Authority otherwise consents' to take account of the lack of consistency and will further review whether this paragraph can be removed. In particular we need to better understand why the charging methodology differs from the requirements in paragraph 9.
26	NGGD	Paragraph 13 – EXIIC should have a value of zero from 2011 rather than 2008.
	Ofgem's views	See response to comment 24.
27	NGN	Definition of ExIICt is incorrect as DNs do not pay the NTS for plus 15 days curtailment, the payments are made to shippers.
	Ofgem's views	We have changed the definition to refer to shippers rather than the NTS.
SC E7 – Determination of any adjustment factor to be applied to MRt (IAEt)		
28	Centrica	It is essential to constrain allowances made under the re-opener to costs that can be evidenced. GDNs should provide a full report on how the amounts have been calculated and it should be published in a public domain and consulted on.
	Ofgem's views	Agreed. We will ensure that where possible all relevant data is published and consulted on.
29	Energy watch	Need appropriate and specific criteria for determining TMA costs. Circumstances for applying for a re-opener should be defined clearly in licence drafting.
	Ofgem's views	Agreed. Drafting has been amended to be more specific.
30	NGGD/ NGN/ SGN/ WWU	Propose an ex ante allowance for administering TMA with a pass through of efficiently incurred costs.
	Ofgem's	Our final view is that an ex ante allowance should be provided but

	views	any additional costs are dealt with through a re-opener.
31	NGGD	It is not appropriate to set a materiality amount to a TMA re-opener. Costs are likely to be approximately 1 per cent of base revenue.
	Ofgem's views	The re-opener has been amended to allow the GDNs to cumulate the costs over a number of years and apply for the re-opener once they have met the threshold.
32	NGGD	In drafting the condition it is not clear why Ofgem has moved away from the established drafting. This was recently aligned across gas transmission and distribution.
	Ofgem's views	The drafting has been amended to incorporate TMA and tax liability re-openers. The drafting has been changed to make it more consistent with transmission and the current provisions.
33	NGGD	Reasonable steps should be replaced with reasonable endeavours.
	Ofgem's views	Reasonable steps is considered to be the modern approach to drafting and is consistent with the terminology used in recent supply and electricity distribution licence reviews.
34	NGN	Paragraph 3 – the previous drafting stipulated an amount for the adjustment. Should be reinstated if shippers are able to request income adjusting events and base revenue should be defined as Zt.
	Ofgem's views	The drafting has been clarified.
35	SGN	Exit IAE threshold should be reduced to £1m. £2m is disproportionately high and a relic of NGG NTS's licence.
	Ofgem's views	The thresholds up to t=4 have been consulted on and approved by GDNS in separate licence consultations so we do not consider it appropriate to change these figures. A threshold based on base revenue is envisaged for the final year of the price control.
36	SGN	Land fill taxes should be included as a re-opener.
	Ofgem's views	Our final view is that these taxes should not be included as a re-opener.
37	SGN	Any capex triggered from the interruption auctions should be fully recoverable through a re-opener or logging up mechanism.
	Ofgem's views	The provisions for a capex re-opener has been set out in detail in GDPCR final proposals and we do not propose to include the provisions in E7.
38	WWU	Paragraph 2(b) – all reasonable steps should just be reasonable steps.
	Ofgem's views	Condition has been redrafted.
39	WWU	Paragraph 3(a) reference to obligations or requirements should include events throughout condition. The reference to base revenue is not defined.
	Ofgem's views	Condition has been redrafted and is no longer relevant.
40	WWU	Paragraph 10(a)- the threshold should be set at de minimis levels.
	Ofgem's views	We disagree and have set the threshold at 1% of base revenue. This is consistent with DPCR5.

41	WWU	It is not clear whether the threshold applies to a single category of costs or aggregate categories of costs.
	Ofgem's views	The condition has been redrafted and provides greater clarity. The threshold applies to each category.
42	WWU	It is helpful to consider future years' costs that are likely to be incurred but if this proves to be inaccurate the GDNs should be able to reapply for an income adjusting event.
	Ofgem's views	The condition has been re drafted.
SC E8 – Distribution Network shrinkage allowance (Sht).		
43	WWU	The definition of sigma all i is incorrect. It should say 'means the sum of sigma all i for LDZs i. There is a word missing in the definition of 'sigma all d'.
	Ofgem's view	This condition has been reviewed and the definition has been amended.
NEW TERM – SC E12 – Distribution Network loss of meter work revenue driver (LMT)		
44	SGN	The condition should clarify the treatment of filler work associated with the incentive. Revenue from filler contracts for the FCOs should be treated as an excluded service and not counted towards the de minimis cap.
	Ofgem's view	We do not consider that this revenue should automatically be treated as an excluded service. If it falls outwith the definitions of the activities that constitute the licensee's permitted purpose as set out in standard Special Condition A32, then it is a de minimis activity, unless the Authority has specifically given consent for it to be treated otherwise.
SC E17 – Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network (E11 in initial licence drafting consultation)		
45	energy watch	Condition should be retained until the proposed cost reporting is shown to have worked effectively. It should not be removed prematurely as it may require work later to fill any gaps in reporting obligations.
	Ofgem's view	We will review this condition when we consult on the cost and revenue reporting RIGs.
46	SGN/ WWU	This condition should be removed as cost reporting will provide transparency on cost allocation.
	Ofgem's view	As above.
47	NGN	Paragraph 3 (b) – 'where relevant' can be deleted. 'Metering business activities' would be clearer drafting than 'metering activities'.
	Ofgem's view	As we are reviewing whether to delete SC E17 we will consider this issue if we decide to retain this condition.
SC E18 – Supplementary provisions of the revenue restrictions in respect of the Distribution Network (E12 in initial licence drafting consultation)		
48	NGN	The recovery of costs associated with standard condition 7 has been omitted and should be added back.
	Ofgem's	The recovery of costs associated with standard condition 7 is now

	view	a pass through item.
49	NGN	Paragraph 4 (c) A definition of user pays is required.
	Ofgem's view	Term has been added to SC E1.
50	SGN	Condition should include the provision of emergency services to IGTs.
	Ofgem's view	This is covered by paragraph 4 (a) of SC E18.
SC E19 – Restriction of prices in respect of tariff capped metering activities (E13 in initial licence drafting consultation)		
51	NGN	The same RPI calculation should be used as in E2.
	Ofgem's view	Agreed. The condition has been changed to make this effective.
52	WWU	Considers that there is an error in SSC A46 which requires the transporter to avoid discrimination and preference in the provision of metering services as well as charging which extends the licensee's obligations to the provision of metering services beyond last resort domestic metering.
	Ofgem's view	We consider that this issue should be considered as part of a broader review of the metering obligations.
SC E20 – Revenue reporting and associated information to be provided to the Authority in connection with the Distribution Network transportation activity revenue restriction (E14 in initial licence drafting consultation)		
53	NGN	Paragraph 2 (b) – on the second line E3 should be replaced with E2.
	Ofgem's view	Agreed. Changes made
54	NGN	Paragraph 7 (c) – Does not understand the requirement and notes that it does not appear to relate to any existing requirement.
	Ofgem's view	We are still reviewing the timescales for the provision of revenue reporting information. Previously, forecast price control revenue information was required under Special Condition E2b part 1b paragraph 10.

Log of respondents' views to SSC Part A

SSC A15 – Agency		
1	Centrica	The charging methodology for user pays services should be set out in the UNC to provide for flexibility in the governance arrangements.
	Ofgem's view	We acknowledge that there will need to be a close link between changes to the UNC and the charging methodology. The basis and impact of charges will need to be considered when considering changes to the UNC and users will need to be consulted. At this time we do not consider it appropriate to change the governance of the charging methodology. We have though recently published an open letter reviewing industry governance which considers the governance of charging

		methodologies.
2	NGGT	The majority of costs covered by 'user pays' arrangements from 1 April 2008 will not impact on NGGT but it is not clear what proportion of the £2.83m of user pays costs set out in paragraph 3.31 of GDPCR updated proposals is proposed to be removed from NGGT's allowance.
	Ofgem's view	NGGT's allowance for xoserve's costs including their share of the user pays arrangements will be consulted separately in advance of final statutory consultation. In any case final proposals detailed the share to be 11%.
3	NGGT	It may be appropriate to define the user pays service in a separate document to the licence to avoid the need to amend A15 if the scope of service changes.
	Ofgem's view	The scope of core services and user pays services will be defined within the charging methodology statement and therefore A15 will not require amendment.
4	NGN	Paragraph 11- A provision to allow GTs a reasonable margin on the services should be added as no cost allowance has been provided for such services. DNs will be exposed if the take up of such services is low.
	Ofgem's view	We consider existing drafting which allows the charges to reflect the costs to be adequate to cover any element of return necessary.
5	RWE	Does not agree with the proposal to introduce a user pays element to xoserve funding. A15 should require the DNs to consult interested parties for a period of time when preparing their joint agency charging statement as the statement include the methodology for deriving the charges and the scope of the core services and user pays services. Alternatively the methodology for deriving charges should fall within the provisions of A4.
	Ofgem's view	The drafting has been amended to clarify the requirement on the GDNs to consult when preparing the charging methodology statement.
6	Statoil	The principle of user pays has not yet been proven and should not be implemented. A15 was put in place in response to concerns raised by shippers and consumers that following the sale of the gas networks fragmentation of systems and processes could increase costs. Any changes to the licence condition should be based on this principle.
	Ofgem's view	The changes proposed to A15 have this principle in mind. In particular there will be a single charging methodology statement.
7	Statoil	The proposals for a new governance regime have not yet been formed and some significant issues have yet to be addressed. If these are not addressed this could represent a considerable risk to all users of the service who may not have a choice of alternate service providers.
	Ofgem's view	The licence condition requires the gas transporters to have these arrangements in place from 1 April 2008. we therefore expect

		them to work to this timescale.
8	WWU	The methodology for the user pays charges could be the same as for other transportation charges although transporters should be able to introduce changes to charges at any time of the year with less than 150 days notice.
	Ofgem's view	We consider the governance of the charging methodology statement appropriate.
9	Xoserve/ WWU	User pays services should be treated as excluded services for the purposes of SC E12.
	Ofgem's view	They are included within the excluded services condition.
SSC A19 – Provision of services for specific domestic customer groups		
10	energy watch	Considers that the statements and procedures should be in a format which is accessible to specific groups of customers e.g. in Braille.
	Ofgem's view	The proposed licence conditions A19, A20 and A21 contain provision for the statements to be provided, on request, in a manner or format that is suitable and accessible to blind, partially sighted, deaf or hearing impaired customers. This proposal reflects energywatch's comments above and supports Ofgem's belief that it is necessary to ensure customers with special communication needs are able to access the information in these statements to ensure they have appropriate protection.
11	NGGD	Paragraph 3 –The drafting should make it clear that the requirement to agree a password with vulnerable customers should be on a job specific basis.
	Ofgem's view	The drafting has been amended to clarify that the password will be agreed on a job by job basis.
12	NGGD	Paragraph 4(c) – these is no mechanism for GDNs to inform customers directly about the statement and it would be difficult to take all reasonable steps to do so. The paragraph should be removed or de-drafted as the provisions in Paragraphs 4(b) and 4(d) to publish the statement on the website and provide a copy on request is sufficient.
	Ofgem's view	The drafting has been amended to clarify that the requirement is the same as that of the existing conditions. The reference to 'each of its' has been removed and the obligation applies to a licensee's customers whose premises are connected to the licensee's pipeline system of the statement. Licensees are not expected to inform each of their customers about the statement, but can take steps to inform their customers collectively as they do at the moment (for example by advertising in national or local media). This applies to A19, A20 and A21.
13	NGGT	A19-22 should be moved to Part D to target GDNs only. For physical reasons it is not possible for NTS to have any domestic properties connected to it.
	Ofgem's view	We consider that A19 and A21 are only relevant to GDNs as they only cover domestic customers and could be moved to Part D of the licence. A20 covers both domestic and non-domestic

		customers and includes requirements to avoid undue disturbance to owners of premises which is relevant to customers connected to the NTS network. A22 covers reporting under the Standards of Performance Regulations which cover customers connected directly to the NTS as well as to the distribution networks. We propose to retain A20 and A22 in part A of the licence.
14	SGN/ WWU	Supports a job specific password scheme. An enduring password register is unnecessary and imposes significant administrative costs.
	Ofgem's view	Drafting has been amended to refer to a specific work for which the password was agreed.
15	SGN	Obligation to provide facilities for the blind, partially sighted, deaf or hearing impaired customers free of charge should be "on request" as per current licence drafting.
	Ofgem's view	This has not been included as it was felt that a licensee must have facilities in place for such enquiries. For example, to allow a deaf customer to complain or enquire potentially requires Minicom/text phones/email. Once such a facility is in place it will remain in place removing the need for 'on request'.
16	WWU	Ofgem has not provided evidence of need for change to A19-22. Current conditions are satisfactory and the changes are an exercise in micro-management.
	Ofgem's view	As set out in the main body of the consultation document, the provisions have been simplified so that all obligations can now be found more concisely within the conditions of the licence. The obligations in relation to codes of practice (including those currently found in guidance notes) have been consolidated to rationalise the administrative requirements and ensure that obligations are clear, focused and targeted. These proposals are the consequence of discussions at the supply licence review, the electricity distribution licence review and the gas distribution price control consultation. These discussions and consultations concluded that the current regime requiring the approval of codes of practice by Ofgem was overly bureaucratic. The amended licence conditions ensure, in the main, that existing levels of protection, particularly for vulnerable customers, are retained and removes the need for guidance notes and the potential for confusion over regulatory requirements.
17	WWU	Prefers 'reasonable endeavours' to 'reasonable steps' as the latter has a commonly accepted meaning.
	Ofgem's view	'Reasonable steps' is used in the existing licence and has also been used in the supply and electricity distribution licence.
18	WWU	Paragraphs 2 and 3, "free of charge" should be replaced by "free of charge at point of use". This is to clarify that although the customer does not pay at point of use, the costs incurred in the service still can be charged through as part of the costs of the business through transportation charges.
	Ofgem's view	We have redrafted this paragraph to provide more clarity.

19	WWU	In A19 to A22 the licensee's obligations should be "the licensee shall" rather than "the licensee must".
	Ofgem's view	Ofgem is using 'must' in the licence drafting as this is the terminology we are using for new licence drafting such as the supply and electricity distribution licence conditions.
20	WWU	Paragraph 3 - after the phrase "asks it do so" we suggest the addition of "where the licensee visits that consumer's premises". Ongoing password extremely burdensome and unlikely to be practicable for GDN or customer.
	Ofgem's view	The amended paragraph 2 clarifies the use of passwords.
SSC A20 – Arrangements for access to premises		
21	WWU	Paragraph 1(f) should be amended back the existing licence condition, which is not a general undue disturbance provision, but disturbance to the customer by authorised officers by different licence holders exercising powers of entry for like purposes.
	Ofgem's view	Drafting has been amended to reflect existing conditions meaning.
22	WWU	Paragraph 2(c) - delete the new wording "each of". New drafting suggests that GDNs need to show that they have used reasonable endeavours to make our publications or statements available to each and every individual domestic customer, which is disproportionate and a significant cost and administrative burden.
	Ofgem's view	See point 12 above.
SSC A21 – Procedure for dealing with complaints		
23	NGGD	Paragraph 2(c) (indicated as 2(b) on Ofgem draft) – The same comments made in relation to SSC A19 Para 4(c) apply.
	Ofgem's view	See point 12 above.
24	WWU	Paragraph 1 – questions value of adding of reference to "conveyance of gas or".
	Ofgem's view	We consider that the text should remain.
25	WWU	Paragraph 2 – see comments in relation to SSC A20 2(c).
	Ofgem's view	See point 12 above.
SSC A22 – Reporting on Performance		
26	energy watch	DNs should recognise the value that consumers, who ask for them, place on passwords. DNs should ensure that this value is accommodated appropriately in the service they provide to consumers.
	Ofgem's view	Passwords will be provided on a job specific basis.
27	NGGD	Paragraph 2(a) – GDNs' contact with customers is infrequent, normally arising from one off events such as gas escapes or mains replacement. Passwords should be job specific.
	Ofgem's	See point 11 above.

	view	
28	NGGD	Paragraph 2(b) and 2(c) – GDNs currently report performance and compensation payments under the existing Ofgem Guidance for Reporting document using Ofgem’s standards of service templates and we are not aware that this arrangement has given rise to any difficulty. We are therefore unclear as to why this obligation is necessary, as alignment with the electricity distribution licence is not of itself a compelling reason to amend the GDN licence.
	Ofgem's view	We are introducing this obligation to formalise the reporting requirement set out in the guidance for reporting document. This brings the requirements into line with Electricity Distribution.
29	WWU	Paragraph 1 - suggest that the obligation is qualified by the words “unless the Authority or the Consumer Council otherwise require”.
	Ofgem's view	This qualification is not present in the current obligation. It would not be appropriate for the Consumer Council to permit a licensee not to provide information which is required by the Authority. If a particular type of information is no longer required the drafting enables the Authority to stop requiring the provision of that information. Accordingly, this suggestion has not been adopted.
30	WWU	Paragraph 2(a) - unclear what purpose the reporting achieves. It would involve a significant and disproportionate cost.
	Ofgem's view	We have removed this obligation.
SSC A30 – Regulatory accounts		
31	NGGT/ NGN	References to the Companies Act should be updated for the 2006 Act.
	Ofgem's view	The current references are legally robust and as the relevant sections of the 2006 Act have not been specified in any of the Commencement Orders so far we do not want to risk creating a gap in the licence. We will retain the existing references until the 2006 Act has been fully enacted and will update the next time the licence is reviewed.
32	NGN	Paragraph 16 (c) The amendment changes reference CA 2006 but the rest of the sentence still refers to CA 1985.
	Ofgem's view	See point 31 above.
33	NGN	Paragraph 19 – delete ‘of these’ and ‘s’ from ‘areas’ and add ‘paragraph 20(a) to 20(c)’ so the sentence reads ‘information about polices of the licensee in each area mentioned in paragraph 20(a) and to 20(c) and the information...’.
	Ofgem's view	We do not consider that the drafting is improved by these suggested changes.
34	SGN	The regulatory accounts do not add any value where statutory accounts exist which mirror the GDN structure. Any additional information can be collected through cost reporting.
	Ofgem's	We consulted in the cost reporting consultation in July on the

	view	future of regulatory accounts and our views to the responses can be found in Appendix 4 of GDPCR final proposals. We are not proposing to remove this condition at present.
SSC A35 – Prohibition of cross-subsidies		
35	NGGD	Article 17 of the EC directive does not need to be referenced. It applies to member states not licensees.
	Ofgem's view	Article 17 imposes a requirement on natural gas undertakings, which includes gas distribution networks. It is therefore appropriate to reference it.
SSC A37 – Availability of resources		
36	NGN	The new information required with the availability of resources is inappropriate. It implies an inappropriate level of micro management with little value so paragraph 3(b) should be deleted.
	Ofgem's view	We do not consider that the new requirement is substantially more onerous than that previously required. The information requested should be consistent with what the auditors have required as part of their going concern review in their audit of the statutory and regulatory accounts. We also expect that directors would require similar information in order to sign the certificate of availability of resources.
SSC A40 – Price control review information		
37	NGGD	The submission packs for NGGT and NGGD should be staggered to minimise costs of resources.
	Ofgem's view	Both packs will need to be submitted on a timely basis to allow time for review and analysis. We have taken steps in the development of the packs to minimise NGG's costs by only requiring information that relates to the statutory entity NGG (e.g. tax, debt) to be submitted once.
38	NGGD	Need more certainty on the cost reporting pack to comment on A40 more fully. A derogation should be in place for cost reporting to allow for problems in the first year and flexibility in subsequent years.
	Ofgem's view	These comments are noted. We are developing the cost reporting pack and RIGs, and their scope and content should be clear by the time of the statutory consultation of the licence.
39	NGGT	It is appropriate to include the same corporate governance arrangements as included in the NTS licence
	Ofgem's view	Agreed. The drafting has been updated to reflect this.
40	NGN	references to Companies Act needs to be updated.
	Ofgem's view	See point 31 above.

Log of respondents' views to SCC Part D

SSC D7 –		
1	NGN	Bracket is missing after 'may direct in writing' on first line. Also

		'subsequent' requires deleting on second line.
	Ofgem's view	Agreed. Changes will be made.
SSC D9 – Distribution Network transportation activity incentive scheme and performance reporting		
2	energy watch	Paragraph 7 of D9 and D10 – it is unclear whether the provisions allow DNs to undertake their own internal audit or whether it allows external scrutiny. The reference to examiner in D9 paragraph 7 suggests external scrutiny which may be appropriate.
	Ofgem's view	The purpose of this paragraph is to allow an external audit to be carried out on behalf of Ofgem.
3	NGGT	Specified Information (b)(ii) and (b)(iii) – Suggest that these paragraphs are combined so that we only target customers who have reported an emergency and experienced repair work to the pipeline system.
	Ofgem's view	Our final proposals are to combine the surveys for emergencies and unplanned interruptions so that there is a single survey of customers who have experienced an emergency and/or an unplanned interruption. We have amended this paragraph accordingly.
4	NGGT	Specified Information (e) – Question value and purpose of proposal to report on accuracy of pipeline records.
	Ofgem's view	We consider that maintaining accurate pipeline records is a key part of GDNs' normal business as prudent asset managers. Collecting and publishing information about the accuracy of pipeline records will strengthen incentives on GDNs to improve this area of performance.
5	NGGT	Paragraph 12 of the existing SSC D9 should be re-inserted. Provisions provide an essential protection to licensees.
	Ofgem's view	We consider that the change mechanism as currently drafted provides adequate protection to licensees in that event that Ofgem considers that a new output should be reported or an existing output needs to be reported to a higher level of accuracy. Ofgem has to consult licensees on the proposed changes and give due consideration to the responses. This would include consideration of any potential cost impacts. We consider that the further protection of a licence modification is only needed in those cases where a change in the reporting requirements would have an impact on licensees' allowed revenue. This is not the case for the quality of service reporting set out in D9.
6	WWU	Specified Information (e) – Question value and purpose of proposal to report on accuracy of pipeline records.
	Ofgem's view	See response to issue 4 above.
7	WWU	Paragraph 12 of the existing SSC D9 should be re-inserted. Provisions provide an essential protection to licensees.
	Ofgem's	See response to issue 6 above.

	view	
SSC D10 – Quality of service standards		
8	energy watch	Considers the absolute obligation to attend gas emergencies is effective. DNs should provide strong evidence of circumstances prevailing at the time preventing them from meeting the standard.
	Ofgem's view	We agree that it is important to have the emergency service standard set out in the licence without any exemptions. We consider that this will allow us to protect the interest of customers more effectively.
9	NGGD	Any provisions regarding the emergency standards of service should be placed in a discrete licence condition – incorporating into D10 is confusing.
	Ofgem's view	D10 sets out a number of quality of service obligation including connections activities and the emergency response standard. We consider it is appropriate to retain these in the same condition.
10	NGGD	Para 2(g) - Emergency response licence condition is inconsistent with intent of Parliament when it passed s33BA(3) Gas Act. It will not better protect the interests of consumers, as arguably this function is already performed under GS(M)R.
	Ofgem's view	We consider that setting out the emergency response standard in the licence condition will allow us to protect the interest of customers more effectively because the current status of the obligation makes enforcement difficult. In deciding whether it is appropriate to take any action for breach of this standard and the nature of any such action we would take account of any relevant circumstances including whether the HSE were taking any steps in relation to the failure, whether any exceptional circumstances had an adverse impact on the GDN's performance and the action taken during the course of the year by the GDN to prevent or minimise failure.
11	NGGD	Potential for emergency response licence condition to conflict with SSC 41 Emergency Services to or on Behalf of Another GT.
	Ofgem's view	We do not consider that the proposed emergency service provisions in D10 conflict with SSC 41. We would expect GDNs to have appropriate arrangements with each other for mutual support. In considering the nature of any breach of the standard and whether it is appropriate to take action we would consider whether there were appropriate support arrangements in place and whether the GDN's performance had been impacted by the need to provide such support due to a major event taking place on another GDN's network.
12	NGGD	Paragraphs 1(c) and 1(g) should be amended to remove the reference to "significant" in respect of carbon monoxide "escapes". The text used in SSC A8(1)(iii) is more appropriate, namely, "emissions of carbon monoxide".
	Ofgem's view	Agreed. We have amended the drafting accordingly.
13	NGGD	Para 3 should be amended such that it refers directly to

		paragraph 1(a)(i).
	Ofgem's view	Agreed. We have amended the drafting accordingly.
14	NGGD	Paragraphs 4 and 7 should be amended such that they refer directly to paragraph 1(a).
	Ofgem's view	Agreed. We have amended the drafting accordingly.
15	NGN	Concerned with the absolute nature of the requirement to achieve the gas escape standard. The condition should contain an exceptional circumstances provision which would require Ofgem consent. This would avoid a company being in automatic licence breach due to exceptional circumstances beyond its control.
	Ofgem's view	We consider that setting out the emergency response standard in the licence condition will allow us to protect the interest of customers more effectively because the current status of the obligation makes enforcement difficult. Contrary to the concerns expressed by some GDNs, Ofgem is not obliged to pursue enforcement actions in circumstances where the licensee is taking appropriate steps or if the breach is trivial. In deciding whether it is appropriate to take any action for breach of this standard and the nature of any such action we would take account of any relevant circumstances including whether the HSE were taking any steps in relation to the failure, whether any exceptional circumstances had an adverse impact on the GDN's performance and the action taken during the course of the year by the GDN to prevent or minimise failure.
16	SGN	Serious concern regarding the one hour emergency response standard. Obligation should be reasonable endeavours. Strongly support the exclusion of exceptional events from the measure of response to gas emergencies, consistent with electricity distribution.
	Ofgem's view	See response to issue 16 above.
17	SGN	Para 6 – Do the reporting obligations duplicate the requirements of A22?
	Ofgem's view	The reporting under A22 relates to the guaranteed standards of performance which provide protection to individual customers. The connections reporting under this condition relates to overall measure of performance.
18	WWU	Para 1(a) - wording should be changed back to "in respect of" rather than "including" as change has significant unintended consequences.
	Ofgem's view	Agree. We have changed the drafting accordingly.
19	WWU	Para 2(g) – should be removed. Will result in duplication of enforcements with HSE. It was also cause GDNs to breach licence as a result of factors that they cannot control and there is no provision for extraordinary events. WWU contends that s28 of the Gas Act means that Authority cannot exercise discretion on

		whether to take enforcement action.
	Ofgem's view	See response to issue 15 above.
20	WWU	Para 7(a) the reference for the purposes of undertaking audits should be to paragraph 1(a) not paragraph 1.
	Ofgem's view	Agreed. We have amended the drafting accordingly.

Log of respondents' views to SLC 4B

SLC 4B		
1	NGGD/ NGGT/ WWU	This condition should be part of a separate licence review to ensure that the consultation is more robust and includes IGTs.
	Ofgem's view	GDNs will be required to propose amendments to their existing connection charging methodology statements under SLC 4B to reflect the new provisions of Network Extensions. On this basis, and in order to make GDPCR more effective, we consider that the proposal to amend SLC 4B should be part of this licence review.
2	NGGD/ NGGT/ WWU	Paragraph 5(b) is not necessary. It is already dealt with through primary legislation.
	Ofgem's view	This is intended to provide clarity, and is consistent with other parts of the licence which refer to requirements that are already set out in primary legislation. Unlike section 9(1A) of the Gas Act, paragraph 5(b) focuses on connection charging methodology compliance and in addition sets out other obligations on a GT.
3	NGGD/ SGN/ WWU	Obligation for GT to consult under para 6 is unduly onerous, and could delay the introduction of revised charges.
	Ofgem's view	Requirement should not be unduly onerous given that changes to a connection charging methodology are done infrequently.
4	NGGD/ NGGT/ NGN	Paragraph 9 – It will not be possible to provide a detailed breakdown of how charges are derived for bespoke connections. It is not practical or economic and could put GTs at an unfair competitive disadvantage if they have to reveal pricing strategies in the non domestic market. This condition should be amended or removed.
	Ofgem's view	We have amended the requirement under paragraph 9 (b) such that licensees would only need to provide examples of indicative connection charges.
5	NGN	Paragraphs 11 and 12 do not relate to the connection charging methodology and should sit in a stand alone condition.

	Ofgem's view	Both paragraphs, now renumbered 12 and 13 have been retained as we consider that they are connection related issues.

Log of respondents' views to the SI

Regulation 3 – Interpretation		
1	WWU	Relevant GT - sub-paragraph (b) of the definition needs to specify the time in which the affected transporter notifies the upstream transporter so that, until it does so, the affected transporter and not the upstream transporter will be responsible under the regulations for the payments to its own customers.
	Ofgem's view	Agreed. We have amended the drafting so that the downstream GT needs to notify the upstream GT within 5 working days of the end of the interruption and provide the relevant details for the upstream GT to be able to make payments under the standard in order to be able to claim the relevant exemption from payment. The upstream GT then becomes liable for the payments.
Regulation 7 – Supply restoration		
2	NGGD	A downstream GT affected by an upstream supply interruption should be required to compensate its consumers in the first instance and then recover the costs of such compensation from the upstream GT. The network operators can then agree reimbursement between themselves after the event when circumstances are clearer.
	Ofgem's view	<p>We consider that the GT to whose network the customer is connected will normally be responsible for making payments for any failure to meet the supply restoration standard. However, that GT may claim an exemption from making the payments if the interruption originated on another GT's network by notifying them and providing the appropriate supporting information within five working days of the end of the interruption.</p> <p>We consider that in most instances where a supply interruption originated on an upstream network the failure to meet the prescribed timescales for restoring customers' supplies is likely to be attributable to the time taken by the upstream GT to complete the remedial work on its network. As such we consider that the obligation to make payments to the customer should lie with the upstream GT.</p> <p>Under our proposed amendments to SLC20 there will be a contractual mechanism for GTs to agree the extent of responsibility for failures under the supply restoration standard in the event that an interruption on an upstream network affects customers connected to a downstream network. In the event that</p>

		<p>the downstream GT is wholly or partially responsible for the failure(s) under the standard, the upstream GT will be able to recover all or part of these payments (as appropriate) from the downstream GT.</p> <p>Where there is a dispute between the upstream and the downstream GT as to the responsibility of the failure under the standard, and the GTs have failed to agree the extent of the responsibility of each of them, either GT can apply to the Authority to settle the dispute.</p>
3	NGGT	Do not support new proposals with regard to third-party and water ingress interruptions, believes that such proposals should be consulted on outwith the GDPCR process. Questions why standard licence condition is required if a regulation is in place.
	Ofgem's view	<p>We consider that the supply interruption standard should apply to all incidents where less than 30,000 customers are affected unless another exemption applies. This should include interruptions arising upstream on the NTS due to third-party damage. We consider that it is appropriate for this issue to be addressed as part of the GDPCR process as we are reviewing all of the standards of performance that apply to GTs.</p> <p>The proposed amendments to SLC20 provide for an upstream GT to make payments to customers connected to a downstream GT's network via the downstream GT. It also provides an additional mechanism for upstream and downstream GTs to agree the extent of responsibility for a failure under the supply restoration standard and for an upstream GT to recover all or part of the payments (as appropriate) for a failure under that standard where the downstream GT is wholly or partially responsible for the failure.</p>
4	SGN	Concerned that arrangements are complex, drafting does not achieve Ofgem's intention in respect of payments to consumers on downstream networks where a loss of supply is a result of a failure on another GT's network. Believe that the exemption should only apply where the upstream transporter has been notified and accepted that it is responsible for the failure of supply. Support inclusion of a specific timeframe within which a notification by one GT to another should be made in the exemption described in Paragraph (3)(e) of Regulation 7– either in Regulation 7 or by amending definition of "relevant gas transporter" under Regulation 3(1).
	Ofgem's view	<p>We consider that our drafting achieves our intended approach in respect of payments to consumers on downstream networks where a loss of supply is a result of a failure on another GT's network. See our response to issue 2 above.</p> <p>We have amended Regulation 7 so that the GT is required to notify the other GT on whose network the interruption originated within 5 working days.</p>
5	WWU	Paragraph (3)(d) – current drafting does not achieve Ofgem's

		intention. Prefacing each paragraph with the words "to the extent that" may solve the problem.
	Ofgem's view	We consider that the insertion of the words is unnecessary. However, the industry is invited to submit alternative wording (if considered appropriate).
6	WWU	Paragraph (3)(e) – additional wording required to make it consistent with definition of relevant transporter.
	Ofgem's view	We consider that our updated drafting has addressed this issue.
7	WWU	Regulation (12)(7) is not effective in creating a right of action for upstream GTs.
	Ofgem's view	Under our proposed amendments to SLC20 there will be a contractual mechanism for GTs to agree the extent of responsibility for failures under the supply restoration standard in the event that an interruption on an upstream network affects customers connected to a downstream network. In the event that the downstream GT is wholly or partially responsible for the failure(s) under the standard, the upstream GT will be able to recover all or part of these payments (as appropriate) from the downstream GT. Where there is a dispute between the upstream and the downstream GT as to the responsibility of the failure under the standard, and the GTs have failed to agree the extent of the responsibility of each of them, either GT can apply to the Authority to settle the dispute.
Regulation 9 – Priority domestic customers		
8	CE Electric	Concerned that the provision of alternative heating and cooking facilities to priority domestic customers should include an obligation for the GDN to consult with the electricity distribution network operator to avoid overloading the electricity network before appliances are issued.
	Ofgem's view	We propose to revise the guidance ¹ document so that GTs should consult with (and have regard to any representations received from) the relevant electricity distribution network prior to distributing alternate cooking and heating facilities to a large number of customers.
8	WWU	Paragraph (3)(e) – claims should be made within 1 month not 3 months
	Ofgem's view	We consider that it is reasonable for customers to be given up to 3 months to make a claim under this standard.
Regulation 10 – Connections		
9	WWU	Current drafting does not achieve Ofgem's intention. Prefacing each paragraph with the words "to the extent that" may solve the problem.
	Ofgem's	See our response to issue 5.

¹ Guidance for reporting on Standards of Performance and Standard Special Licence Condition D10, November 2005.

	view	
Regulation 10A – Notice of planned interruptions		
10	NGGD	Do not support the provision of a 7 day window during which an interruption would be expected to take place. Prefer provisions that reflect the current Overall Standard which requires GTs to provide customers with at least 5 working days notice of the date of the expected interruption and pay compensation where GT fails to provide minimum notice period.
	Ofgem's view	GDNs' consumer satisfaction surveys generally give positive feedback in relation to GDNs' efforts to notify consumers of planned interruptions. We have therefore decided to limit the standard to provide at least 5 working days notice prior to the start of a planned interruption consistent with the current OS5 provisions. If consumer satisfaction survey results suggest that performance has deteriorated we may reconsider revising this standard.
11	SGN	Standard should only apply to the period of notice that is given and should not include the period during which the work will be undertaken.
	Ofgem's view	See response to issue 10.
12	WWU	The inclusion of this regulation as a guaranteed standard is likely to detract from the generally good working relationship that GTs have with customers when dealing with planned interruptions.
	Ofgem's view	We consider that providing customers with advanced notice of planned work likely to affect their gas supplies is an important aspect of good customer service. We have revised our proposed standard as discussed in response to issue 10 above.
13	WWU	Paragraph 3 – provisions should include an exemption for circumstances beyond GTs' control.
	Ofgem's view	We consider that this issue is no longer relevant as we have taken out the requirement to specify a 7-day period during which the interruption will take place.
Regulation 10B – Responding to complaints		
14	NGGD	Does not support inclusion of verbal complaints in guaranteed standard. It is very often difficult for GDNs to differentiate between complaints and enquiries, potential for misunderstanding greater. Standard should only apply when customer considers the issue is of sufficient importance that it merits written correspondence. Does not support additional payments after initial payment.
	Ofgem's view	We consider that it is important that there is flexibility for consumers in how they can make complaints. We consider that it is reasonable for GTs to provide a prompt response to written complaints or verbal complaints on a pre-specified contact line. GTs will need to satisfy themselves that they have made a reasonable interpretation of what constitutes a complaint in

		<p>accordance with any guidance provided in our standards of performance guidance document to be issued.</p> <p>The additional payments for each extra period of 5 working days that has elapsed until a substantive response is provided are important in ensuring that there is an adequate incentive on GTs to deal promptly with complaints.</p>
15	SGN	Paragraph 1 – Verbal complaints should be limited to those made using specific complaints number.
	Ofgem's view	Agreed. We have amended the drafting accordingly.
16	SGN	Concerned at subjectivity – substantive response, frivolous/vexatious.
	Ofgem's view	<p>We consider that that the GTs will have to satisfy themselves that they made a reasonable interpretation of substantive response in accordance with any further guidance provided in our standards of performance guidance document to be issued.</p> <p>We have included an exemption for frivolous or vexatious complaints.</p>
17	SGN	Paragraph (4)(b) - GT could be subject to a standard failure if, despite contacting the customer or a third party in a timely manner, a response has not been forthcoming and the GT remains unable to provide a substantive response within the prescribed period. Paragraph (4)(b) should include circumstances where information from the customer/third parties has not been received within the prescribed period to enable the GT to meet the standard.
	Ofgem's view	Agreed. We have amended the drafting of regulation 10B(4)(b) so that the exemption covers a situation where a GT has contacted the customer or a third-party for the purposes of providing a substantive response to the complaint but had not received a reply, and has notified the customer of that fact, within the prescribed period from receipt of the complaint from the customer.
18	SGN	Paragraphs (1) and (4) - rather than referencing frivolous and vexatious complaints in Paragraph (1), the exemptions should be listed in Paragraph (4) and should also include repetitive complaints that have been addressed and those that are based upon incorrect information.
	Ofgem's view	<p>We have included exemptions for frivolous or vexatious complaints in regulation 10A(4)(d). We consider that the substantive response to the first complaint would be sufficient to meet the requirement for responses to be given for subsequent repetitive complaints.</p> <p>We consider that it is important for GTs to provide responses even where complaints are based upon incorrect information. The response can make clear that this is the case.</p>
19	WWU	Paragraph (1)- insert “or potential customer” after the word “customer” to accord with the wording in the Gas Act. Add “for that purpose” to “(by use of a telephone number which the

		relevant GT has advised the customer <i>for that purpose</i>)".
	Ofgem's view	The definition of customer in regulation 3(1) makes clear that it includes potential customers.
20	WWU	Substantive response – do not define term, rather issue instructions in guidance notes.
	Ofgem's view	See our response to issue 16 above.
21	WWU	Paragraph (4)(b) – requires amendment to include cases where the GT is not be able to identify who the third parties are and where the GT has not received a reply from that third party.
	Ofgem's view	<p>Our proposed drafting of regulation 10B(4)(b) provides an exemption in circumstances where the GT is unable to contact a third-party for the purposes of providing a substantive response to the complaint, and has notified the customer of that fact, within the prescribed period from receipt of the complaint from the customer.</p> <p>The exemption also covers a situation where a GT has contacted the customer or a third-party for the purposes of providing a substantive response to the complaint but had not received a reply, and has notified the customer of that fact, within the prescribed period from receipt of the complaint from the customer.</p> <p>We consider that it is unnecessary to provide further for a situation where a GT is not able to identify who the third parties are.</p>
22	WWU	Paragraph (4) should also exclude complaints which are frivolous, fictitious or repetitive. (Reg 13(7) covers information provided by the customer but not complaints).
	Ofgem's view	See our response to issue 18 above.
Regulation 12 – Payments		
23	SGN	When Paragraphs (1A) and (3A) are read in conjunction with the drafting of Regulation 7, it is unclear whether the relevant transporter is obliged to make the payment to the customers connected to a downstream network directly, via their shipper or via the downstream GT.
	Ofgem's view	In conjunction with the proposed amendment to SLC 20, the Regulations have been drafted to allow payments to customers connected to downstream networks to either be made directly, via the relevant shipper or the downstream GT.
24	SGN	Paragraph (3) - as currently drafted, under Paragraph (3A) the relevant transporter would be penalised if the downstream transporter has not provided all the information to enable the upstream transporter to make the payment within the prescribed period from the applicable date. Definition of applicable date should be amended.
	Ofgem's	The drafting we issued as part of our 10 September consultation

	view	already addressed this issue. We have now clarified this by moving the provision to Regulation 12(8)(b)(i). The applicable date means the day on which the upstream GT receives notification from the downstream GT including relevant supporting information.
25	SGN	Use of "relevant transporter" within this regulation needs to be reviewed - eg in Paragraph (2)(b) is it not the relevant transporter that is passing the payment on to the other GT?
	Ofgem's view	We have clarified our drafting in this paragraph so it is consistent with Regulation 7.
26	SGN	Paragraph (4) - there should be two versions of Paragraph (4) one each for the scenarios under Paragraphs (2)(a) and (b) of this Regulation.
	Ofgem's view	We have amended the drafting in Regulation 12(4) to provide for each of the scenarios in paragraphs (2)(a) and (b).
27	SGN	Paragraph (6)(c) should make reference to payments from a relevant transporter to another transporter.
	Ofgem's view	The proposed drafting of SLC 20 enables such payments.
28	WWU	Paragraph (2)(b) should this say "where a GT receives a payment from a relevant GT for onward transmission to a customer"?
	Ofgem's view	See our response to issue 25 above.
29	WWU	Paragraph (3)(A) Payment needs to be made within the prescribed period from the date on which the relevant GT receives the relevant information from the other GT.
	Ofgem's view	See our response to issue 24 above.
30	WWU	Paragraph (4) – Current drafting of (12)(4) leads to problematic interactions with (12)(2).
	Ofgem's view	We consider that our revised drafting has addressed this issue.
31	WWU	Paragraph (6)(c) should refer to credit invoices to suppliers or shippers and also needs to make reference to payments to the GT for inter-transporter payments.
	Ofgem's view	The proposed drafting of SLC 20 enables such payments.

Appendix 7 - Proposed Standard Licence Condition 4B**Condition 4B. Connection Charging Methodology**

1. Subject to paragraph 2, where any pipe is supplied and laid by the licensee in discharge of the duty imposed by section 10(2)(a) of the Act, for the purpose of connecting premises (“the premises concerned”) to a relevant main, the licensee may charge the person requiring the connection (“the person concerned”) in respect of the cost of supplying and laying the pipe- provided that in a case in which the supply of gas is to domestic premises, the licensee shall only so charge in respect of the cost of supplying and laying the pipe insofar as it is attributable to the supplying and laying of -
 - (a) so much of the pipe as is laid upon property owned or occupied by the person concerned, not being property dedicated to public use; and
 - (b) so much of the pipe as is laid for a greater distance from a relevant main than 10 metres, although not on such property as is mentioned in sub-paragraph (a).

2. Paragraph 1 shall have effect as if the proviso thereto were omitted where the person concerned may be required in pursuance of regulations made, or having effect as if made, under section 10(7) of the Act to make a payment in respect of the expenses of the main used for the purpose of making the connection.

3. The licensee shall by 1 April 2008 determine and comply with a connection charging methodology approved by the Authority showing the methods by which, and the principles on which, (consistently with its duties under section 9 of the Act) -
- (a) where a connection is required in pursuance of subsection (2) of section 10 of the Act, charges in respect of the cost of connecting, supplying and laying a pipe or the expenses of the laying of a main are normally to be determined in different cases or circumstances;
 - (b) where a connection is required in a case not falling within subsection (1)(a) or (b) of the said section 10 and the premises are not likely to be supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10 (subject to section 8A(1) of the Act, 2,196,000 kilowatt hours in any period of 12 months), the charges to be made for the connection, including charges for supplying and laying a pipe are to be determined;
 - (c) where a connection or disconnection is required in the case of any premises likely to be, or which have been, supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10, the charges to be made for the connection or disconnection including, so far as appropriate, charges for supplying or laying a pipe or main and charges in respect of anything done or provided in connection with the connection or disconnection in different cases or circumstances are to be determined;
 - (d) without prejudice to sub-paragraph (a), in the circumstances mentioned in subsection (10) of the said section 10 (read with any regulations under subsection (11) thereof), charges under the said subsection (10) are normally to be determined in different cases and circumstances;

- (e) where a connection is required to a pipe comprised in the licensee's pipe-line system to enable gas to be introduced into, or taken out of that system, charges in respect of the connection are normally to be determined in different cases or circumstances; and
 - (f) where a connection is required for works including, in particular, works to increase the capacity of a high pressure pipe-line and by way of the supply and installation of a pipe-line, charges in respect of the connection are normally to be determined in different cases or circumstances.
4. The licensee shall, for the purpose of ensuring that the connection charging methodology continues to achieve the relevant objectives:
- (a) review the connection charging methodology at least once in every year; and
 - (b) subject to paragraph 6, make such modifications (if any) of the connection charging methodology as are necessary for the purpose of better achieving the relevant objectives.
5. In paragraph 4 and below, the relevant objectives are that:
- (a) compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
 - (b) compliance with the connection charging methodology facilitates competition in the supply of gas, and does not restrict, distort, or prevent competition in the transportation of gas conveyed through pipes;
 - (c) compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of

implementation costs), the costs incurred by the licensee in its transportation business and where the Act enables to charge a reasonable profit, and

- (d) so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's transportation business.
6. Except in so far as the Authority otherwise consents, the licensee shall not make a modification of the connection charging methodology unless:
- (a) it has consulted relevant parties on the proposed modification and allowed them a period of not less than 28 days within which to make representations; and
 - (b) it has furnished the Authority with a report setting out –
 - i. the terms originally proposed for modification;
 - ii. the representations (if any) made by relevant parties;
 - iii. any changes in the terms of the modification intended in consequence of such representations;
 - iv. how the intended modification would better achieve the relevant objectives; and
 - v. a timetable for implementing the modification and the date with effect from which the modification (if made) is to take effect, being not earlier than the date on which the period referred to in the sub-paragraph below will expire.

provided that where the licensee has complied with the requirements of sub-paragraphs (a) and (b), it will not make any modification to the connection charging methodology where the Authority has within 28 days (or within three months if the Authority intends to

undertake an impact assessment) of the report being furnished to it under sub-paragraph (b) given a direction to the licensee that the modification shall not be made.

7. ~~Where the licensee has complied with the requirements of paragraph 6, it shall, before making the modification:~~
- (a) revise the connection charging methodology so that it sets out the changed methods and principles and specifies the date from which it is to have effect; and
 - (b) furnish the Authority with a copy of the revised connection charging methodology.
8. The licensee shall -
- (a) publish the connection charging methodology under paragraph 3 or 7 in such manner as will secure adequate publicity for it and, in the case of a connection charging methodology furnished under paragraph 7, shall so publish it before the effective date thereof;
 - (b) publish with any such connection charging methodology so published a statement that any complaint in respect of a charge to which the connection charging methodology relates, if not resolved between the licensee and the complainant, may be referred to the Authority by letter addressed to the Authority at an address specified in the statement; and
 - (c) send a copy of any such connection charging methodology and statement so published to any person who asks for one.

9. The licensee shall prepare and furnish the Authority with a statement, or revision or amendment of a statement, which:
- (a) sets out the basis on which charges will be made for the provision of connections to the licensee's transportation system;
 - (b) **where appropriate and practicable**, is in such form and with such details and examples as are necessary to illustrate to any person requiring a connection how charges are applied for different categories of connection; and
 - (c) is in accordance with connection charging methodology.
10. The licensee shall:
- (a) publish the statement under paragraph 9 in such manner as will secure adequate publicity for it; and
 - (b) send a copy of any statement under paragraph 9 to any person who asks for one.
11. The licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the licensee's pipe-line system.
12. References in this condition to charges exclude references to supplemental charges within the meaning of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges).

13. The licensee shall establish, and keep up to date, a register (or separate registers for different areas) of pipes which have vested in it and become its property by virtue of section 10(6) of the Act and fall within section 10(13)(b) but have not been declared relevant mains under section 10(13) thereof; and an entry in the register in respect of a particular pipe-
- (a) shall contain sufficient particulars to enable the pipe to be identified;
 - (b) shall be made within 28 days of the pipe vesting in, and becoming the property of, the licensee; but
 - (c) shall be deleted, as soon as is reasonably practicable, if the pipe in question is subsequently declared a relevant main under the said section 10(13).
14. The licensee shall make arrangements for a copy of the said register (or of the information contained therein) to be available for inspection at reasonable times, if it has area offices, at those offices or, if it has not, at its principal office; and, for the purposes hereof, “area office” means one which is fixed for an area for the purposes of section 46(3) of the Act.
15. In this condition, any reference to the making of a charge -
- (a) in relation to the supplying or laying of a pipe in pursuance of section 10(2)(a) of the Act, is a reference to requiring that the person requiring the connection defrays the whole or a part of the cost thereof;
 - (b) in relation to the laying of a main used for the purpose of making a connection and in the circumstances mentioned in section 10(7) of the Act, is a reference to requiring, in pursuance of regulations under

that provision, that the person requiring the connection pays an amount in respect of the expenses of the laying of the main; and

- (c) in the circumstances mentioned in subsection (10) of section 10 of the Act (read with any regulations under subsection (11) thereof), is a reference to requiring the person requiring a connection to be made or maintained in pursuance of subsection (2) or (3) of the said section 10 to make such payments as are mentioned in the said subsection (10),

and cognate expressions shall be construed accordingly.

Appendix 8 - Draft revocation notice for the Overall Standards of Performance**Notice under section 33BAA of the Gas Act 1986
to determine standards of overall performance for gas transporters**

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 33BAA of the Gas Act 1986 (the "Act") to the Gas and Electricity Consumer Council, all gas transporters, all gas suppliers, all interested consumers and all interested persons or bodies that represent consumers, as follows:

1. The Authority proposes to determine and so revoke with effect from 1 April 2008, all the standards of overall performance (the "overall standards") set out in the Annex 1 hereto which were determined on 28 April 2005 under section 33BA of the Act and given effect on 1 May 2005 for each and every holder listed in Annex 2 of a gas transporter's licence granted or treated as granted by the Authority under section 7 of the Act.
2. The Authority arranged for such consumer research as it considered appropriate with a view to discovering the views of a representative sample of persons likely to be affected if the overall standards were determined and ceased to have effect; and the Authority considered the results of the consumer research in the document, '*Gas Distribution Price Control Review, Consumer Research, Final Report, Ofgem, May 2007*', which is available free of charge on the Ofgem website [www.ofgem.gov.uk] or from the Ofgem library [telephone 020 7901 7307].
3. The reasons why the Authority proposes to determine the overall standards are set out in various documents published on behalf of the Authority including
 - a. '*Gas Distribution Price Control Review Initial Proposals Document Ofgem 29 May 2007, document 125/07*; and

b. *'Gas Distribution Price Control Review Updated Proposals Document Ofgem 24 September 2007, document 226/07,*

(which are both available free of charge from the Ofgem library (telephone: 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk) and in summary, the reasons are to -

- i. provide improved protection to consumers;
- ii. migrate some overall standards into gas transporters standard licence conditions and include some overall standards as individual or 'guaranteed' standards of performance under the Gas (Standards of Performance) Regulations 2005 (as amended) to enable the Authority to take more appropriate licence enforcement action against a gas transporter in the event of a failure to achieve the prescribed level of performance;
- iii. enable individual consumers to receive a compensation payment in the event that a guaranteed standard is not achieved;
- iv. simplify quality of service arrangements for gas transporters; and
- v. ensure regulatory consistency between gas transporters and electricity distributors where overall standards of performance have already been migrated into licence conditions or guaranteed standards of performance.

3. Any representations in respect of this proposal to determine the overall standards must be made in writing on or before XX 200_ to Ayesha Uvais, Office of Gas and Electricity Markets (Ofgem) 9 Millbank, London SW1P 3GE (0207 901 7307) or via email to Ayesha.Uvais@ofgem.gov.uk.

Joanna Whittington
Director, Gas Distribution

Duly authorised on behalf of the
Gas and Electricity Markets Authority

XX 200_

Annex 1 – Gas Transporter Overall Standards of Performance**GENERIC IDN VERSION**

The Gas and Electricity Markets Authority (“the Authority”), in accordance with the powers contained in section 33BA of the Gas Act 1986 (“the Act”) and after the consultation and research required by section 33BAA of the Act, hereby determines the standards of overall performance in connection with the provision of gas transportation services to be achieved by [*insert IDN name*], a company registered in England and Wales with company number [*insert IDN company number*], (“the Company”) as follows:

1. (1) Unless the context otherwise requires, words and expressions used in this determination shall bear the same meaning as in Part I of the Act.

- (2) The following words and expressions shall have the meaning attributed to them in the conditions of the gas transporter licence (“the licence”) granted to the Company under section 7 of the Act:

customer

primary sub-deduct premises

secondary sub-deduct premises

transportation business

In this determination:

“Distribution Network” (“DN”) means the relevant gas distribution network defined with reference to its constituent Local Distribution Zone, as defined in special condition E2A (‘Revenue Restriction definitions in respect of the Distribution Network’) of the licence;

“premises” shall include primary sub-deduct premises and secondary sub-deduct premises; and

“relevant period” means the period 1 May 2005 – 31 March 2006 and thereafter each succeeding period of 12 months starting on 1 April.

2. For the purpose of this determination:
 - (a) where more than one person is a customer in respect of a particular premises, a notice given by the Company to one person who is a customer in respect of those premises shall be a sufficient notice to any other person who is a customer in respect of those premises at the time the notice is given;
 - (b) where a person is a customer in respect of more than one premises, a reference in this determination to “customer” is a reference to that person in respect of each of the premises of which that person is a customer to which the determination applies;
 - (c) any reference to a customer shall include any person having apparent authority to represent the customer; and
 - (d) “customer” includes any person whom the Company reasonably believes to be the customer of the premises in relation to which the service relates.
3. The overall standard of performance to be achieved by the Company in respect of Services 1-5 (inclusive) described in column 1 is that, of the occasions during each relevant period upon which he is requested or required to perform the service, he shall provide the service in no less than the percentage of such occasions specified in column 2 opposite that service.

Column 1**Column 2****Service 1**

In respect of telephone calls to:

- (a) the telephone service which the Company operates or procures the operation of pursuant to standard special condition A8 of the licence, each telephone call will be answered by an individual; and
- (b) the dedicated enquiry line and meter point reference number helpline, to the extent, and during such hours that, the Company operates or procures the operation of such lines, each telephone call will be answered,

in each case within 30 seconds.

90 per cent

For the purpose of Service 1, where the Company operates or procures the operation of the services in (a) and (b) in a manner which is shared with other gas transporters, performance shall be measured by aggregating all calls relating to those services.

Service 2

Where the Company proposes to carry out maintenance or replacement work to the pipe-line system to which the licence relates which will require it to interrupt the conveyance of gas to customers, the Company will provide a written notification of the need for the interruption to each customer likely to be affected not less than 5 working days before the expected interruption.

95 per cent

Service 3

Where:

- a) the conveyance of gas to customers' premises is interrupted as a result of an emergency or other unplanned cause; and
- b) the Company expects that the interruption will continue for more than 24 hours,

the Company shall:

- (i) where 250 premises or less are affected, inform each customer (either orally or by means of an appropriate written notification delivered to the customer's premises) of the expected programme for (including the expected date of) restoration of supply and the means by which the Company will comply with paragraph (iii) within 12 hours of the time at which the Company is made aware that an interruption has or could reasonably be expected to have occurred; 97 per cent
- (ii) where more than 250 premises are affected, provide public announcements (including by means of local public address announcements, local radio or other equivalent means) throughout the area affected describing the expected programme for (including the expected date of) restoration of supply and the means by which the Company will comply with paragraph (iii) within 12 hours of the time at which the Company is made aware that an interruption has or could reasonably be expected to have occurred; and 97 per cent
- (iii) Upon the expiry of each succeeding period of 24 hours from the notification or announcement under (i) or (ii) above, provide, (including, where appropriate, but not limited to, by means of the

telephone enquiry service provided under standard special condition A8 of the licence) a progress report and revised information on the expected date of restoration of supply unless the customer or customers have already been made aware of the current progress and current expected date of restoration by such means.

97 per cent

Service 4

Where the Company receives an oral or written complaint relating to its transportation business to which it would reasonably expect that the customer would anticipate a response, the Company shall in respect of a written complaint provide an oral response or despatch a written response to the customer within 5 working days of receipt of the complaint (including an indication of any further action that the Company considers to be required, including but not limited to the date by which the substantive response is to be despatched). Where a response to a written or oral complaint is not a substantive reply then the Company shall (other than in exceptional circumstances) provide the substantive response within 10 working days of receipt of the complaint.

90 per cent

Service 5

Where a report of a gas emergency including a gas escape, a significant escape of carbon monoxide, fumes or other hazardous situation relating to the Company's DN is received on the telephone service operated by Transco plc under standard special licence condition A8 of the licence, or by any other means, the Company shall attend or procure the attendance of an emergency service provider at the site of the incident as quickly as possible and in any event:

- (a) in respect of an uncontrolled gas escape or other uncontrolled gas emergency, within 1 hour of the full emergency details being

received on the telephone service operated by Transco plc, or by any other means; and 97 per cent

(b) in respect of a controlled gas escape or other controlled gas emergency, within 2 hours of the full emergency details being received on the telephone service operated by Transco plc, or by any other means. 97 per cent

For the purpose of Service 5:

“emergency service provider” shall have the same meaning as in the Gas Safety (Management) Regulations 1996; and

“controlled gas escape or other controlled gas emergency” means a gas escape or other gas emergency where the person reporting the escape or other emergency, after carrying out (or causing to be carried out) the actions required by the telephone operator, advises the operator that the escape of gas or other emergency appears to have ceased.

4. Upon commencement of the relevant period, this determination shall replace the overall standards of performance which were introduced on 1 April 2002 following a previous determination by the Authority under section 33BA of the Act.

.....

Duly Authorised by the Authority

1 May 2005

GENERIC RDN VERSION

The Gas and Electricity Markets Authority (“the Authority”), in accordance with the powers contained in section 33BA of the Gas Act 1986 (“the Act”) and after the consultation and research required by section 33BAA of the Act, hereby determines the standards of overall performance in connection with the provision of gas transportation services to be achieved by Transco plc, a company registered in England and Wales with company number 2006000, (“the Company”) in relation to the Distribution Networks it holds as follows:

1. (1) Unless the context otherwise requires, words and expressions used in this determination shall bear the same meaning as in Part I of the Act.

- (2) The following words and expressions shall have the meaning attributed to them in the conditions of the gas transporter licence (in relation to Distribution Networks) (“the licence”) granted to the Company under section 7 of the Act:

customer

primary sub-deduct premises

secondary sub-deduct premises

transportation business

In this determination:

“Distribution Network” (“DN”) means the relevant gas distribution network defined with reference to its constituent Local Distribution Zones, as defined in special condition E2A (‘Revenue Restriction definitions in respect of the Distribution Network’) of the licence;

“premises” shall include primary sub-deduct premises and secondary sub-deduct premises; and

“relevant period” means the period 1 May 2005 – 31 March 2006 and thereafter each succeeding period of 12 months starting on 1 April.

2. For the purpose of this determination:
 - (a) where more than one person is a customer in respect of a particular premises, a notice given by the Company to one person who is a customer in respect of those premises shall be a sufficient notice to any other person who is a customer in respect of those premises at the time the notice is given;
 - (b) where a person is a customer in respect of more than one premises, a reference in this determination to “customer” is a reference to that person in respect of each of the premises of which that person is a customer to which the determination applies;
 - (c) any reference to a customer shall include any person having apparent authority to represent the customer; and
 - (d) “customer” includes any person whom the Company reasonably believes to be the customer of the premises in relation to which the service relates.
3. The overall standard of performance to be achieved by the Company in respect of Service 1 is that, of the occasions during each relevant period upon which he is requested or required to perform the service, he shall provide the service described in column 1 in no less than the percentage of such occasions specified in column 2 opposite that service.
4. In addition to the overall standard of performance to be achieved under paragraph 3, the Company shall also, in respect of each of the Services 2 – 5 (inclusive) described in column 1, during each relevant period secure that the service is provided separately in relation to each of the Company’s DNs within the time specified in column 1 in no less than the percentage of such occasions specified in column 2 opposite that service.

Column 1**Column 2****Service 1**

In respect of telephone calls to:

- (a) the telephone service which the Company operates or procures the operation of pursuant to standard special condition A8 of the licence, each telephone call will be answered by an individual; and
- (b) the dedicated enquiry line and meter point reference number helpline, to the extent, and during such hours that the Company operates or procures the operation of such lines, each telephone call will be answered,

in each case within 30 seconds

90 per cent

For the purpose of Service 1, where the Company operates or procures the operation of the services in (a) and (b) in a manner which is shared with other gas transporters, performance shall be measured by aggregating all calls relating to those services.

Service 2

Where the Company proposes to carry out maintenance or replacement work to the pipe-line system to which the licence relates which will require it to interrupt the conveyance of gas to customers, the Company will provide a written notification of the need for the interruption to each customer likely to be affected not less than 5 working days before the expected interruption.

95 per cent

Service 3

Where:

- a) the conveyance of gas to customers' premises is interrupted as a result of an emergency or other unplanned cause; and
- b) the Company expects that the interruption will continue for more than 24 hours,

the Company shall:

- (i) where 250 premises or less are affected, inform each customer (either orally or by means of an appropriate written notification delivered to the customer's premises) of the expected programme for (including the expected date of) restoration of supply and the means by which the Company will comply with paragraph (iii) within 12 hours of the time at which the Company is made aware that an interruption has or could reasonably be expected to have occurred; 97 per cent
- (ii) where more than 250 premises are affected, provide public announcements (including by means of local public address announcements, local radio or other equivalent means) throughout the area affected describing the expected programme for (including the expected date of) restoration of supply and the means by which the Company will comply with paragraph (iii) within 12 hours of the time at which the Company is made aware that an interruption has or could reasonably be expected to have occurred; and 97 per cent
- (iii) upon the expiry of each succeeding period of 24 hours from the notification or announcement under (i) or (ii) above, provide, (including, where appropriate, but not limited to, by means of the

telephone enquiry service provided under standard special condition A8 of the licence) a progress report and revised information on the expected date of restoration of supply unless the customer or customers have already been made aware of the current progress and current expected date of restoration by such means.

97 per cent

Service 4

Where the Company receives an oral or written complaint relating to its transportation business to which it would reasonably expect that the customer would anticipate a response, the Company shall in respect of a written complaint provide an oral response or despatch a written response to the customer within 5 working days of receipt of the complaint (including an indication of any further action that the Company considers to be required, including but not limited to the date by which the substantive response is to be despatched). Where a response to a written or oral complaint is not a substantive reply then the Company shall (other than in exceptional circumstances) provide the substantive response within 10 working days of receipt of the complaint.

90 per cent

Service 5

Where a report of a gas emergency including a gas escape, a significant escape of carbon monoxide, fumes or other hazardous situation relating to the Company's DNs is received on the telephone service operated under standard special licence condition A8, or by any other means, the Company shall attend or procure the attendance of an emergency service provider at the site of the incident as quickly as possible and in any event:

- (a) in respect of an uncontrolled gas escape or other uncontrolled gas emergency, within 1 hour of the full emergency details being

received on the telephone service or by any other means; and 97 per cent

(b) in respect of a controlled gas escape or other controlled gas emergency, within 2 hours of full emergency details being received on the telephone service or by any other means. 97 per cent

For the purpose of Service 5:

“emergency service provider” shall have the same meaning as in the Gas Safety (Management) Regulations 1996; and

“controlled gas escape or other controlled gas emergency” means a gas escape or other gas emergency where the person reporting the escape or other emergency, after carrying out (or causing to be carried out) the actions required by the telephone operator, advises the operator that the escape of gas or other emergency appears to have ceased.

5. Upon commencement of the relevant period, this determination shall replace the overall standards of performance which were introduced on 1 April 2002 following a previous determination by the Authority under section 33BA of the Act.

.....

Duly Authorised by the Authority

1 May 2005

GENERIC IGT VERSION

The Gas and Electricity Markets Authority (“the Authority”), in accordance with the powers contained in section 33BA of the Gas Act 1986 (“the Act”) and after the consultation and research required by section 33BAA of the Act, hereby determines the standards of overall performance in connection with the provision of gas transportation services to be achieved by [*insert company name*], a company registered in England and Wales with company number [*insert company number*], (“the Company”) as follows:

1. (1) Unless the context otherwise requires, words and expressions used in this determination shall bear the same meaning as in Part I of the Act.

- (2) The following words and expressions shall have the meaning attributed to them in the standard conditions incorporated in the Company’s gas transporter licence (“the licence”) granted or treated as granted to the Company under section 7 of the Act:

customer

primary sub-deduct premise

secondary sub-deduct premises

transportation business

In this determination:

“premises” shall include primary sub-deduct premises and secondary sub-deduct premises; and

“relevant period” means the period 1 May 2005 – 31 March 2008 and thereafter each succeeding rolling period of 36 months starting on 1 April 2006 and 1 April in each subsequent year.

2. For the purpose of this determination:

-
- (a) where more than one person is a customer in respect of a particular premises, a notice given by the Company to one person who is a customer in respect of those premises shall be a sufficient notice to any other person who is a customer in respect of those premises at the time the notice is given;
- (b) where a person is a customer in respect of more than one premises, a reference in this determination to “customer” is a reference to that person in respect of each of the premises of which that person is a customer to which the determination applies;
- (c) any reference to a customer shall include any person having apparent authority to represent the customer; and
- (d) “customer” includes any person whom the Company reasonably believes to be the customer of the premises in relation to which the service relates.
3. The overall standard of performance to be achieved by the Company in respect of each Service described in column 1 is that, of the occasions during each relevant period upon which he is requested or required to perform the service, he shall provide the service described in column 1 in no less than the percentage of such occasions specified in column 2 opposite that service.

Column 1**Column 2****Service 1**

[not used]

Service 2

Where the Company proposes to carry out maintenance or replacement work to the pipe-line system to which the licence relates which will

require it to interrupt the conveyance of gas to customers, the Company will provide a written notification of the need for the interruption to each customer likely to be affected not less than 5 working days before the expected interruption.

95 per cent

Service 3

Where:

- a) the conveyance of gas to customers' premises is interrupted as a result of an emergency or other unplanned cause; and
- b) the Company expects that the interruption will continue for more than 24 hours,

the Company shall:

- (i) where 250 premises or less are affected, inform each customer (either orally or by means of an appropriate written notification delivered to the customer's premises) of the expected programme for (including the expected date of) restoration of supply and the means by which the Company will comply with paragraph (iii) within 12 hours of the time at which the Company is made aware that an interruption has or could reasonably be expected to have occurred;
- (ii) where more than 250 premises are affected, provide public announcements (including by means of local public address announcements, local radio or other equivalent means) throughout the area affected describing the expected programme for (including the expected date of) restoration of supply and the means by which the Company will comply with paragraph (iii) within 12 hours of the time at which the Company is made aware that an interruption has or could reasonably be expected to have occurred; and

97 per cent

97 per cent

- (iii) upon the expiry of each succeeding period of 24 hours from the notification or announcement under (i) or (ii) above, provide, (including, where appropriate, but not limited to, by means of the telephone enquiry service provided under standard condition 6) a progress report and revised information on the expected date of restoration of supply unless the customer or customers have already been made aware of the current progress and current expected date of restoration by such means.

97 per cent

Service 4

Where the Company receives an oral or written complaint relating to its transportation business to which it would reasonably expect that the customer would anticipate a response, the Company shall in respect of a written complaint provide an oral response or despatch a written response to the customer within 5 working days of receipt of the complaint (including an indication of any further action that the Company considers to be required, including but not limited to the date by which the substantive response is to be despatched). Where a response to a written or oral complaint is not a substantive reply then the Company shall (other than in exceptional circumstances) provide the substantive response within 10 working days of receipt of the complaint.

90 per cent

Service 5

[not used]

4. Upon commencement of the relevant period, this determination shall replace the overall standards of performance which were introduced on 1 April 2002 following a previous determination by the Authority under section 33BA of the Act.

.....

Duly Authorised by the Authority
28 April 2005

Annex 2 – Contact Information for Gas Transporters

Company Name	Company Number	Licence Type	Registered Address
British Gas Pipelines Limited	3226380	IGT	Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, Great Britain
Energetics Gas Limited	SC303150	IGT	Silverwells House, 114 Cadzow Street, Hamilton, ML3 6HP, Great Britain
ES Pipelines Limited	3822878	IGT	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
ESP Connections Limited	3234745	IGT	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
ESP Networks Limited	2865198	IGT	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
ESP Pipelines Limited	3405272	IGT	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
Fulcrum Pipelines Limited	06006362	IGT	1-3 Strand, London, WC2N 5EH, Great Britain
GTC Pipelines Limited	3104203	IGT	Energy House, Woolpit Business Park, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP, Great Britain
Independent Pipelines Limited	2828692	IGT	Ocean Park House, East Tyndall Street, Cardiff, CF24 5GT, Great Britain
National Grid Gas Plc	2006000	RDN	1-3 Strand, London, WC2N 5EH, Great Britain
National Grid Gas Plc	2006000	NTS	1-3 Strand, London, WC2N 5EH, Great Britain
Northern Gas Networks Limited	5167070	DN	1100 Century Way, Thorpe Park Business Park, Colton, Leeds, LS15 8TU, Great Britain
Quadrant Pipelines Limited	2528816	IGT	Ocean Park House, East Tyndall Street, Cardiff, CF24 5GT, Great Britain
Scotland Gas Networks Plc	SC264065	DN	Inveralmond House, 200 Dunkeld Road, Perth, Perthshire, PH1 3AQ, Great Britain
Southern Gas Networks Plc	5167021	DN	St Lawrence House, Station Approach, Horley, Surrey, RH6 9HJ, Great Britain
SSE Pipelines Limited	2742721	IGT	55 Vastern Road, Reading, RG1 8BU, Great Britain
The Gas Transportation Company Limited	FC020169	IGT	PO Box 310, Sydney Vane House, Rue de Commerce, St Peter Port, GY1 3TB, Guernsey
UK Utilities (Gas) Limited	SC302492	IGT	C/O McClure Naismith, Nova House, 3 Ponton Street, Edinburgh, EH3 9QQ, Great Britain

GDPCR: Second licence drafting consultation document

December 2007

Company Name	Company Number	Licence Type	Registered Address
			Britain
Utility Grid Installations Limited	3958461	IGT	Energy House, Woolpit Business Park, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP, Great Britain
Wales & West Utilities Limited	5046791	DN	Wales and West House, Spooner Close, Coedkernew, Newport, South Wales, NP10 8FZ, Great Britain

Appendix 9 – Proposed Licence Conditions Associated with Independent Systems

1.1. This appendix sets out our proposed licence drafting associated with independent systems and includes a new licence condition for the GDNs, a separate new licence condition for NGG NTS and an amendment to Special Condition C8B of NGG NTS's licence.

New licence condition on independent systems for the GDNs

1. Pursuant to the direction regarding the Continuation of the Cross-Subsidy Arrangements for Independent Gas Systems given by the Secretary of State on xx December 2007, the licensee is required, up until 31 March 2013, to undertake the relevant activities as detailed within this licence condition.
2. The licensee shall not, in respect of any of its Independent Systems, change the fuel type conveyed from methane to propane or butane or a combustible mixture of propane and butane with air.

Liquefied Petroleum Gas Systems

3. The licensee shall by 1 April 2008, enter into appropriate terms with a relevant shipper for the transportation of liquefied petroleum gas from any bulk supply point (notified to the Authority and approved by it) to the premises of customers connected to an independent system operated by the licensee.
4. The licensee shall make payments of any Bulk Price Differential to the relevant shipper, such payments to be made in accordance with the terms agreed in paragraph 3.
5. The licensee shall inform the National Grid Gas plc the NTS operator of the aggregate payments made to shippers under paragraph 4 above by 31 May in the year immediately following the relevant formula year.

6. The licensee shall not seek to recover from shippers by means of its transportation charges or by any other means the amounts paid under paragraph 4 above.

Local GDN charge

7. The licensee shall, in respect of each Independent System, set their gas transportation charges so that they are consistent with the direction given by the Secretary of State having regard to the need to ensure that such charges to customers on the Independent System do not exceed the charges to equivalent customers.

8. In this condition:

“Bulk Price Differential” means the difference between the reasonable estimate (made by the licensee) of the average price for liquefied petroleum gases supplied to large industrial customers in Great Britain and the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain, where the price is calculated on an equivalent basis. This estimate should, as far as practicable, recover the additional costs of shipping Liquefied Petroleum Gas and be reflected in terms agreed.

“Distribution Network” has the meaning given in Special Condition E1 (Definitions and Interpretation) of the licence.

“equivalent customers” Means customers connected to the licensee’s network other than those customers whose premises are connected to an independent system.

“Independent System” Means a discrete pipe-line system operated by the licensee as at 31 March 2007 in a Distribution Network and which is not connected (directly or indirectly) by pipes to the main pipe-line system of the licensee acting as a gas transporter.

“Relevant Shipper” For the purposes of this condition only, means in relation to any premises connected to an independent system, a gas shipper which has by 1 April 2008 made arrangements with the licensee in pursuance of which gas is transported to those premises.

“Bulk supply point” To be defined

“Liquefied Petroleum Gas” Means a mix of hydrocarbon gases including propane and butane in accordance with BS EN 589:2004

New licence condition on independent systems for NGG NTS

1. Pursuant to the direction on the Continuation of the Cross-Subsidy Arrangements for Independent Gas Systems given by the Secretary of State on xx December 2007, the licensee is required, up until 31 March 2013, to undertake the relevant activities as detailed within this licence condition.

Bulk Price Differential

2. The licensee shall make a reasonable estimate of the Bulk Price Differential payment it expects to incur under paragraph 3 and pay the relevant DN Operator this estimate on a quarterly basis, or as otherwise agreed by the DN operator, in the formula year in which the costs occur. This estimate should be updated for any under or over estimates in previous years.
3. The licensee shall pay the aggregate amount of the Bulk Price Differential (the “Bulk Price Differential payment”) for each relevant Independent System operated by a

relevant gas transporter where that gas transporter has made payments to gas shippers and has so informed the licensee in writing.

GDN Additional costs

4. The licensee shall pay to the relevant DN operator the amount set out in Table 1 to cover the additional costs of transporting gas to each Independent System operated by that DN operator (“additional costs payments”, any such payments taking account of RPI for that formula year:

Table 1

£m, 2005-06 prices	2008-09	2009-10	2010-11	2011-12	2012-13
Scotland Gas Networks plc	6.0	5.4	5.4	5.4	5.4
Wales & West Utilities Limited	0.1	0.1	0.1	0.1	0.1

5. The licensee shall pay the relevant DN operator the costs detailed in paragraph 4 on a quarterly basis for each formula year from 2008-09 to 2012-13 or as otherwise agreed by the relevant Gas Distribution Network.

Recovery

6. The licensee shall recover the reasonable estimate of the Bulk Price Differential payment made under paragraph 2 along with the payment for additional costs made under paragraph 4 from shippers in the relevant formula year.
7. The licensee shall submit to the Authority in the following formula year a statement detailing the money paid to DN operator under paragraph 2 above.
8. In this condition:

“RPI” means the RPI adjustment and shall be calculated as the arithmetic average of the retail price index numbers published or determined

with respect to each of the six months from July to December in preceding formula year divided by the arithmetic average of the retail price index numbers published or determined with respect to the period from July to December 2004.

Amendment to Special Condition C8B of NGG NTS's licence

[revise IS_t term]

IS_t means an amount equal to the payments made under paragraph 2 and paragraph 4 of the xx condition xxx in respect of any formula year commencing on or after 1 April 2008.