

## Notice under section 23 of the Gas Act 1986

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 23 of the Gas Act 1986 (the "Act") as follows:

1. The Authority proposes to modify the gas transporter licence granted under section 7 of the Act (the "licence") to –

- a. Northern Gas Networks Limited;
- b. Scotland Gas Networks plc;
- c. Wales & West Utilities Limited,

each a "DN operator" (within the meaning currently given in Standard Special Condition A3(1) (Definitions and Interpretation) of the gas transporter licence) by adding Special Condition E23 (Independent Systems), the draft text of which is in the Schedule hereto.

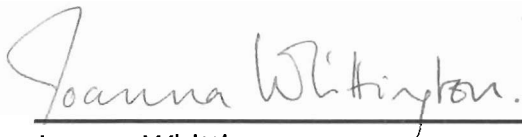
2. The reasons why the Authority proposes to make the licence modification and its effect are mainly set out in various documents) including –

- a. *'Gas Distribution Price Control Review Initial Proposals Document*, Ofgem, 29 May 2007, ref: 125/07; published on behalf of the Authority, and is available free of charge from the Ofgem library (telephone: 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk));
- b. *'Proposal to continue cross-subsidy arrangements for independent systems'*, Consultation Document August 2007, published by the Department of Business, Enterprise and Regulatory Reform and available on its website ([www.berr.gov.uk](http://www.berr.gov.uk));
- c. *'Proposal to continue cross-subsidy arrangements for independent systems'*, Government Response Document November 2007, published by the Department of Business, Enterprise and Regulatory Reform and available on its website ([www.berr.gov.uk](http://www.berr.gov.uk));
- d. *'Gas Distribution Price Control Review', Final Proposals Decision and Supplementary Appendices Documents*, Ofgem, 3 December 2007, ref: 285 and 285a/07; published on behalf of the Authority, and are available free of charge from the Ofgem library (telephone: 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)); and
- e. *'GDCPR: Second Licence Drafting Consultation'*, Ofgem, 11 December 2007, ref: 290/07,

and in summary, the reasons are to implement the changes to the regulatory framework which have been consulted on as part of, or in

conjunction with the Gas Distribution Price Control Review for every DN operator; in particular, those changes that introduce in the licence, the continuation of cross-subsidy arrangements (currently in the form of DN operator undertakings) in respect of consumers whose premises are connected to an independent system (within the meaning given to "independent system" in standard condition 1 (Definitions and Interpretation) of the licence).

3. The effect of the licence modification is to protect the interests of consumers by ensuring that a consumer connected to an independent system pays an equivalent charge to a consumer connected to the main pipe-line system operated by the same DN operator.
4. Any representations or objections to either or both of the proposed modifications must be made in writing on or before 20 March 2008 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](mailto:Ayesha.Uvais@ofgem.gov.uk), and if a respondent does not wish its response to be made public, the response should be clearly marked as not for publication.
5. Subject to any representations or objections made to any of the proposed modifications, the making of the modifications is dependent on the consent of the DN operator and on a Direction regarding the continuation of cross-subsidy arrangements to be issued by the Secretary of State before 1 April 2008.



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Joanna Whittington  
/ Director, Gas Distribution

Duly authorised on behalf of the  
Gas and Electricity Markets Authority

21 February 2008

**Schedule to notice under section 23 Gas Act 1986**

***[Special Condition E23]***

### **Special Condition E23: Gas Conveyed to Independent Systems**

1. Pursuant to the direction given by the Secretary of State on xx XX 2008, regarding the Continuation of the Cross-Subsidy Arrangements for Independent Systems (the “Direction”) the licensee is required, until 31 March 2013, to comply with this licence condition.

2. This condition shall apply to the conveyance of gas to premises covered by the Direction (the “relevant premises”) provided that the Independent System to which those relevant premises are connected remains an Independent System.

3. The licensee shall not, in respect of any Independent System to which this licence relates, change the fuel type conveyed to such Independent System from methane to propane or butane or a combustible mixture of propane and butane with air.

#### *Liquefied Petroleum Gas Systems*

4. The licensee shall use reasonable endeavours to enter into appropriate terms with a Relevant Shipper by 1 April 2008 for the transportation of Liquefied Petroleum Gas from any Bulk Supply Point (notified to the Authority and approved by it) to the relevant premises connected to an Independent System to which this licence relates.

5. The licensee shall provide to the NTS Operator such information as the NTS Operator may reasonably require regarding the gas conveyed in respect of any Independent System to which this licence relates to enable the NTS Operator to calculate the bulk price differential payments made pursuant to special Condition C26 (Gas Conveyed to Independent Systems) of the NTS Operator’s gas transporter licence.

#### *Local DN Operator charge*

6. The licensee shall, in respect of each Independent System to which this licence relates, set its gas transportation charges so that they are consistent with the Direction having regard to the need to ensure that such charges to customers connected to the Independent System do not exceed the charges to Equivalent Customers.

7. In this condition:

- “Bulk Supply Point” means any of the bulk supply points at the places specified in the Approval given on 1 March 1996 by the Director General of Gas Supply, or such other point at such place as may be notified to the Authority from time to time by the licensee.
- “Equivalent Customers” means customers connected to the licensee’s network other than customers whose premises are connected to an Independent System.
- “Independent System” has the meaning given to the term “independent system” in Standard Special Condition A3 (Definitions and Interpretations).
- “Liquefied Petroleum Gas” means a mix of hydrocarbon gases including propane and butane in accordance with BS EN 589:2004
- “NTS Operator” has the meaning given in Standard Special Condition A3 (Definitions and Interpretation);
- “Relevant Shipper” for the purposes of this condition only, means in relation to any premises connected to an Independent System to which this licence relates, a gas shipper which has made arrangements with the licensee in pursuance of which Liquefied Petroleum Gas is transported to those premises.