

NOTICE OF PROPOSED MODIFICATION OF THE SPECIAL CONDITIONS OF SCOTLAND GAS NETWORKS' GAS TRANSPORTER LICENCE IN RESPECT OF ITS GAS DISTRIBUTION NETWORK UNDER SECTION 23(3) OF THE GAS ACT 1986

1. Scotland Gas Networks ("SGN") holds a Gas Transporter Licence ("the Licence") in respect of its Gas Distribution Network ("GDN") granted or treated as granted under section 7 of the Gas Act 1986 ("the Act").

2. In accordance with section 23(3) and (4) of the Act, the Gas and Electricity Markets Authority ("the Authority") gives notice that it proposes to modify the Licence held by SGN by amending:

- i. Annex A of Special Condition E2: Restriction of revenue in respect of the Distribution Network Transportation Activity in the manner set out in Schedule A to this Notice, and
- ii. Annex M of Special Condition E6: Distribution Network Exit Capacity costs and incentive revenue (Ex_t) in the manner set out in Schedule B to this Notice.

3. The effect of the proposed modifications is to increase the maximum allowed revenues by the amounts specified in Schedules A and B.

4. The reason why the Authority proposes to make these licence modifications is to allow SGN to recover additional revenue related to the additional system capacity that it makes available to accommodate interruption reform. The reasons are set out in full in the decision letter "Notice of decision on the application of Scotland Gas Networks to re-open the current Gas Distribution price control to accommodate proposed allowances under the capital expenditure interruption reform re-opener set out in the 2008-2013 Gas Distribution Price Control Review Final Proposals", published on 26 March 2010¹.

5. A copy of the proposed modifications and other documents referred to in this Notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).

6. Any representations or objections to the proposed licence modifications may be made in writing on or before 24 May 2010 and sent to:

Steve Brown,
Office of Gas and Electricity Markets,
9 Millbank
London
SW1P 3GE

or by email to steve.brown@ofgem.gov.uk.

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 However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication.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



Steve Smith, Senior Partner, Local Grids & RPI-X@20

Duly authorised on behalf of the Gas and Electricity Markets Authority

¹ http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Documents1/SGN_LTS_Authority_Decision_letter.pdf

23 April 2010

Schedule A

Special Condition E2: Restriction of revenue in respect of the Distribution Network
Transportation Activity

Annex A – Gas Distribution base revenue (Zt) (£m, 2005-6 prices)

Distribution Network	t=1	t=2	t=3	t=4	t=5
North of England	271.23	286.05	276.87	283.58	286.81
Scotland	183.68	186.93 <u>186.94</u>	191.69 <u>191.75</u>	195.76 <u>196.26</u>	197.94 <u>199.16</u>
South of England	441.27	454.96	454.18	459.70	466.87
Wales & West	245.74	257.15	259.32	262.27	264.32

Schedule B

Special Condition E6: Distribution Network Exit Capacity costs and incentive revenue (Ex_t)

Annex M: Distribution Network allowed interruption allowance (IA_t) (£million, 2005-6 prices)

Distribution Network	IA _t £ million, 2005-6 prices				
	t=1	t=2	t=3	t=4	t=5
Northern				3.30	3.30
Scotland				2.80 <u>0.98</u>	2.80 <u>1.96</u>
Southern				3.80	3.80
Wales and West				8.10	8.10