



GDNs and all interested parties

*Promoting choice and value for
all gas and electricity customers*

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Dear Colleagues

Gas Distribution Licence Review

As many of you know, we plan to conduct a review of the Gas Distribution Licence this business year. We made a commitment to do this review in our 2010-2015 Corporate Plan as part of our overall work on simplification. This will also provide a good foundation for further licence changes to implement the next price control (GPDCR2) from 2013. The purpose of this letter is to set out the scope and proposed process for the licence review.

1. Scope

The Gas Industry currently has a single Gas Transporters Licence which is shared by Distribution and Transmission Networks. Our intention is to focus on the elements of the licence that relate to Gas Distribution Networks. We aim to improve the ease of use and clarity of the Standard and Special Standard Conditions without making substantive changes to underlying policies and obligations. As for the Electricity Distribution Licence Review which we completed in 2008, we propose that the review will concentrate on:

- Restructuring and consolidation, including removal of redundant conditions
- Simplification and redrafting to improve clarity and certainty
- Updating of style and format , and
- Rewording certain defined terms and conditions.

2. Participation

We would like to form a working group for the review. We propose it is made up of representatives from the Gas Distribution Networks, and where appropriate National Grid Gas Transmission. We are open to meeting separately with Independent Gas Distributors on this matter. We propose participation is kept to industry/Ofgem; however, we will be running series of consultations which will allow wider stakeholder participation. We propose the review will be led by Ofgem (this includes facilitation and chairmanship) but the bulk of the detailed work in redrafting the licence will be taken forward by the working group members.

3. Timetable

We plan to hold the inception working group meeting on Monday, 21 June 2010 at 1.00pm. At this meeting, we intend to present a draft project scope, working group terms of reference and a number of possible scenarios for the design/structure of the Licence, for discussion. We ask that the Gas Distribution Networks nominate the working group participants and confirm attendance as soon as possible.

We intend to consult on potential licence changes in spring 2011. Depending on the nature of the responses, we envisage issuing a formal licence modification proposal for statutory consultation in summer 2011. For further information, please contact Mathieu Pearson at mathieu.pearson@ofgem.gov.uk, telephone 020 7901 7294.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', written over a light grey rectangular background.

Rachel Fletcher
Partner, Distribution