

**NOTICE OF PROPOSED MODIFICATION OF THE SPECIAL CONDITIONS OF  
NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS  
NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23(3) OF THE GAS ACT  
1986**

1. National Grid Gas ("NGG") holds a Gas Transporter Licence ("the Licence") in respect of its National Transmission System ("NTS") granted or treated as granted pursuant to 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 paragraph 2 of Special Condition C15 'Licensee's methodology for determining incremental entry capacity volumes' ("the Condition") of the Licence in the manner set out in Schedule A of this Notice.
3. The effect of the proposed modification will be to obligate NGG to prepare and submit an Incremental Entry Capacity Release (IECR) methodology statement to the Authority before 7 November in each formula year. Currently, NGG must submit the IECR methodology statement before 1 July in each formula year.
4. The reason why the Authority proposes to make this licence modification is to ensure the submission of the IECR methodology statement is aligned with the Quarterly System Entry Capacity (QSEC) auction held in March of each formula year. The Authority also considers the revised date will increase the time it will have to consider revisions to the IECR methodology statement. These reasons are set out in full in the letter accompanying this Notice 'Amendments to Special Condition C15 of National Grid's Gas Transporter Licence', published on 17 May 2010.
5. A copy of the proposed modification and other documents referred to in this Notice are available (free of charge) from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (telephone 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Any representations or objections to the proposed licence modification may be made in writing on or before 15 June 2010 and sent to:

James Thomson,  
Office of Gas and Electricity Markets,  
Third Floor,  
Cornerstone, 107 West Regent Street,  
Glasgow,  
G2 2BA

or by email to [gas.transmissionresponse@ofgem.gov.uk](mailto:gas.transmissionresponse@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.



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**Stuart Cook, Senior Partner, Transmission and Governance**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**  
**17 May 2010**

## Schedule A

### **Special Condition C15. Licensee's methodology for determining incremental entry capacity volumes**

1. In this condition:

"incremental entry capacity" shall have the meaning given to that term in [Special Condition C8A](#) (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity)

2. The licensee shall before ~~1 July~~ 7 November in each formula year (or such later date in each formula year as the Authority may approve) prepare and submit for approval by the Authority an incremental entry capacity release methodology statement setting out (consistently with the licensee's duties under the Act, and the standard, Standard Special and Special Conditions) the methodology by which it will determine whether to make incremental entry capacity available for sale to gas shippers. For the avoidance of doubt this methodology will take into account where appropriate the licensee's obligations with respect to entry capacity substitution.

3. Unless the Authority otherwise consents, the incremental entry capacity release methodology statement shall be accompanied by a statement from appropriate auditors confirming that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has developed a methodology that is consistent with the licensee's duties under the Act, and the standard, Standard Special and Special Conditions.

4. Unless the Authority otherwise directs, such direction to be made within 2 months of the receipt by the Authority of a statement prepared pursuant to paragraph 2 of this condition, the licensee shall use reasonable endeavours to apply the methodology set out in such statement from the earlier of:

(a) the date of receipt of a notice from the Authority approving the statement; or

(b) the expiry of that two month period.

5. Except where the Authority directs otherwise or where paragraph 7 applies, before revising the incremental entry capacity release methodology statement the licensee shall:

- (a) send a copy of the proposed revisions to the Authority and to any person who asks for one;
  - (b) consult gas shippers and allow them a period of not less than 28 days in which to make representations;
  - (c) within 7 days of the close of the consultation referred to in sub-paragraph 5(ii) of this condition submit to the Authority a report setting out:
    - (i) the revisions originally proposed,
    - (ii) the representations (if any) made to the licensee,
    - (iii) any change to the revisions; and
  - (d) where the Authority directs that sub-paragraphs (a), (b) and (c) of this paragraph or any of them shall not apply, comply with such other requirements as are specified in that direction.
6. The licensee shall be entitled to revise the incremental entry capacity release methodology statement at any time pursuant to paragraph 5, save that it shall not revise such statement:
- (a) where paragraph 5(d) of this condition applies, before the day (if any) specified in the direction made pursuant to that sub-paragraph;
  - (b) where there is no such direction, or no date is specified in such direction, until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph 5(c) of this condition; or
  - (c) if within the period referred to in paragraph 6(b) of this condition the Authority directs the licensee not to make the revision.
7. (a) The licensee shall, if so directed by the Authority but in any event at least once a year, review the statement prepared pursuant to paragraph 2 of this condition in consultation with gas shippers and other parties likely to be affected by it and allow them a period of not less than 28 days in which to make representations.
- (b) Within 7 days of the close of the consultation referred to in paragraph 7(a) of this condition, the licensee shall send to the Authority:

- (i) a report on the outcome of the review;
- (ii) any revision to the statement proposed (having regard to the outcome of the review) by the licensee in order to ensure that the statement remains consistent with the licensee's duties under the Act and the standard, Standard Special and Special Conditions; and
- (iii) any written representations or objections from gas shippers and other interested parties, including proposals for revision not accepted by the licensee, arising during the consultation and subsequently maintained.

(c) The licensee may revise the statement only in accordance with any revision within paragraph 7(b)(ii) of this condition and only if the Authority consents to such revision.

8. The licensee shall use reasonable endeavours to comply with the statement for the time being in force pursuant to paragraph 2 of this condition.

9. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 2, 3, 4, 5, 6 and 7 of this condition and of all revisions to any such statements and reports.

10. The licensee shall:

- (a) publish (in such manner as the Authority may approve) the statements prepared pursuant to paragraph 2 of this condition and each revision thereof, and
- (b) send a copy of each statement and report prepared pursuant to paragraphs 2, 3, 4, 5, 6 and 7 of this condition or the latest revision of any such statement and report to any person who requests the same, provided that the licensee shall exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,

and, for the purposes of paragraph 10(b) of this condition, the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

11. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 10(b) of this condition of an amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

12. For the purposes of this condition:

entry capacity substitution shall take the same meaning as is set out in [Special Condition C8A](#) (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity) of this licence.