

To: National Grid Gas plc (in relation to both their NTS Licence and DN Licence)

Northern Gas Networks Ltd

Scotland Gas Networks plc

Southern Gas Networks plc

Wales and West Utilities Ltd

NOTICE OF MODIFICATION OF THE STANDARD SPECIAL CONDITIONS OF THE GAS TRANSPORTER LICENCES UNDER STANDARD SPECIAL CONDITION A2 (PRIVATE COLLECTIVE LICENCE MODIFICATION PROCEDURE IN RESPECT OF STANDARD LICENCE CONDITIONS APPLICABLE TO BOTH NTS AND DN LICENSEES)

1. In accordance with paragraph 3(a) and (b) of standard special condition A2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees), the Gas and Electricity Markets Authority (the "Authority") hereby gives notice that it proposes to modify, in the manner as set out in the schedule to this Notice, Standard Special Condition A5 (Obligations as regard charging methodology), Standard Special Condition A11 (Network Code and Uniform Network Code) and Standard Special Condition A12 (Joint Office Governance Arrangements) of:

- a. the gas transporter licence granted, or treated as granted, under section 7 of the Gas Act 1986 (the "Act") to National Grid Gas plc in respect of its National Transmission System (the "NTS Licence"); and
- b. the gas transporter licences granted, or treated as granted, under section 7 of the Act to National Grid Gas plc, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc and Wales and West Utilities Ltd in respect of their Distribution Network businesses (the "DN Licences"),

where they are, in respect of the proposed modifications, 'relevant licence holders' for the purposes of standard special condition A2 of the NTS Licence and DN Licences.

2. In summary, the effect of the proposed licence modifications is to obligate relevant licence holders to implement by 31 December 2010 the Code Governance Review Final Proposals published on 31 March 2010¹ (the "Final Proposals"). The proposed licence modifications obligate the relevant licence holder to introduce, within the relevant code modification procedures as set out in Final Proposals; the 'Significant Code Review' and 'Self-Governance' process, requirements on Code Administrators to take a more active 'critical friend' role (particularly in providing assistance to smaller parties and consumer representatives), incorporate relevant charging methodologies into the relevant industry codes and utilise the relevant code modifications procedures for modifications to the relevant charging methodologies, and to clarify

¹ A copy of the Code Governance Review Final Proposals can be found here: http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=CGR_Finalproposals_310310.pdf&refer=Licensing/IndCodes/CGR.

the requirement to assess the environmental impacts in accordance with Ofgem guidance published from time to time when considering code modification proposals.

3. In summary, the reasons for proposing these licence modifications are that, as part of the Code Governance Review, we have identified a number of deficiencies in the existing code arrangements which the Final Proposals seeks to remedy. Firstly, the proposals seek to reduce unnecessary barriers and red tape in the existing industry codes governance arrangements. Where possible we have sought to simplify existing change processes, making them more consistent between industry codes, more transparent and more accessible. Second, whilst we recognise that the existing code governance arrangements have worked well in providing incremental change to industry codes, they have not been effective in supporting larger scale and more complex change. The detailed reasons for proposing the licence modifications are contained in the following documents:
 - a. Code Governance Review: Final Proposals, Ofgem Ref: 43/10.
 - b. Code Governance Review: Governance of charging methodologies: Initial proposals - Ofgem Ref: 108/09.
 - c. Code Governance Review: Major Policy Reviews and Self-Governance - Initial Proposals - Ofgem Ref: 84/09.
 - d. Code Governance Review – role of code administrators and small participant/consumer initiatives – initial proposals - Ofgem Ref: 85/09.
 - e. Review of Industry Code Governance - Environment and Code Objectives - Ofgem Ref: 66/09.
 - f. Review of Industry Code Governance – Code Administrators Working Group - Ofgem open letter, 20 April 2009.
 - g. Review of Industry Code Governance – role of code administrators and small participant/consumer initiatives - Ofgem Ref: 173/08.
 - h. Review of Industry Code Governance – Environment and Code Objectives, Ofgem open letter, 21 November 2008.
 - i. Code Governance Review: Charging methodology governance options - Ofgem Ref: 132/08.
 - j. Review of industry code governance - scope of review - Ofgem Ref: 92/08.
 - k. Corporate Strategy and Plan 2008-2013 - Ofgem Ref: 34/08.
 - l. Open letter announcing review of industry code governance - Ofgem Ref: 284/07.
4. We note that the proposed modification of Standard Special Condition A5 (Obligations as regard charging methodology) affects the application of particular provisions of

Special Condition C7 (Charging obligations) of the NTS Licence. Those particular provisions of Special Condition C7 insert certain provisions into Standard Special Condition A5 in respect of the NTS Licence which we are proposing to remove. Therefore, we are proposing consequential amendments to those particular provisions of Special Condition C7 of the NTS Licence which is subject of another notice under section 23 of the Act also published today. Apart from this, the proposed modification of Standard Special Conditions A5 (in all other respects), A11 and A12 do not affect the application of special conditions pertaining to the NTS Licence or the DN Licences.

5. Documents referred to in this Notice are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, Westminster, SW1P 3GE (020 7901 7003 or library@ofgem.gov.uk) or from the Ofgem website (www.ofgem.gov.uk).
6. Any representations or objections to the proposed licence modifications may be made on or before 1 July 2010 to:

Clare Cameron
Licensing and Codes Manager, Industry Codes & Licensing
Ofgem
9 Millbank
Westminster
SW1P 3GE

Or by email to industrycodes@ofgem.gov.uk

7. Only those licensees who are a "relevant licence holder" under paragraph 1 of Standard Special Condition A2 of the NTS Licence and DN Licence may register their formal objection, if any, to a proposed modification, although any person may make representations. A pro forma that relevant licence holders may wish to use in order to register a statutory objection is appended to this Notice.
8. 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.
9. Subject to the outcome of this statutory consultation and consideration of respondents' views, it is the intention of the Authority to direct the proposed modifications to the Standard Special Conditions contained in Part A of the NTS Licence and DN Licences to have effect on and from 31 December 2010.

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Mark Cox, Associate Partner, Industry Codes and Licensing

Duly authorised on behalf of the Gas and Electricity Markets Authority

3 June 2010

NOTICE OF STATUTORY OBJECTION

Proposed Modification of Standard Special Conditions A5, A11 and A12 of the NTS Licence and the DN Licences

In response to the statutory notice dated 3 June 2010 in respect of the above proposed modification, this notice constitutes a statutory objection to that proposal on behalf of² I confirm that I am duly authorised to give this notice on behalf of the above named company or each of the above named companies.

Signed³:

Date:

² Please state full name of each relevant licence holder making the objection

³ Please include address for acknowledgement, preferably including email address

SCHEDULE

PROPOSED MODIFICATION OF THE STANDARD SPECIAL CONDITIONS OF THE GAS TRANSPORTER LICENCES APPLICABLE TO BOTH NTS AND DN LICENSEES UNDER STANDARD SPECIAL CONDITION A2

Standard Special Licence Conditions A5, A11 and A12, contained in Part A of the NTS Licence and the DN Licence, are proposed to be modified in the manner set out in this schedule. The proposed insertions are shown underlined and the proposed deletions are shown crossed-through.

Standard Special Condition A5. Obligations as Regard Charging Methodology

1. Except in so far as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraphs 2, ~~2A, and 3,~~ 10A and 10B of this condition and paragraph 10(ab) of Standard Special Condition A11 (Network Code and Uniform Network Code) from time to time make such modifications of the methodology established in pursuance of paragraph 5 of Standard Special Condition A4 (Charging – General) (“the charging methodology”) as may be requisite for the purpose of achieving the relevant methodology objectives.
2. Except in so far as the Authority otherwise approves, or in response to a determination by the Secretary of State under paragraph 2A of Standard Special Condition A27 (Disposal of Assets), the licensee shall not make a modification of the charging methodology unless it has complied with the requirements of the network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code) subject to paragraphs 10A and 10B of this condition ~~it—~~.
 - ~~a.—it has consulted relevant shippers on the proposed modification and allowed them a period of not less than 28 days within which to make written representations; and~~
 - ~~b.—it has furnished the Authority with a report setting out—
 - ~~(i)—the terms originally proposed for the modification;~~
 - ~~(ii)—the representation (if any) made by relevant shippers; and~~
 - ~~(iii)—any changes in the terms of the modification intended in consequence of such representations;~~~~

~~provided that, where the licensee has complied with the requirements of sub-paragraphs (a) and (b), it will not make any modification to the 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.~~
- 2A. The licensee shall –
 - a. for the purposes of ensuring that the charging methodology achieves the relevant methodology objectives, keep the charging methodology at all times under review;
 - b. NOT USED; and
 - c. comply with the joint governance arrangements (as defined in Standard Special Condition A12 (Joint Office Governance Arrangements)) to the extent that such arrangements relate to the administration of any changes referred to in sub-paragraph (b), if applicable, whether made by the licensee and/or any other relevant gas transporter.

3. Subject to paragraph 4, the licensee shall in each formula year, by 31 December in that formula year, furnish the Authority with a report on the application of the charging methodology during the 12 months preceding 1st October in that year including a statement as to -
 - a. the extent to which, in the licensee's opinion, the relevant methodology objectives have been achieved during the period to which it relates;
 - b. whether those objectives could more closely be achieved by modification of the charging methodology; and
 - c. if so, the modifications which should be made for that purpose.
4. As respects the formula year in which this licence came into force:
 - a. if it came into force on or after 1 October in that year, paragraph 3 shall not apply; or
 - b. if it came into force before that date, paragraph 3 shall have effect as if for the reference to the 12 months preceding that date there were substituted a reference to the period preceding that date beginning with the date on which the licence came into force.
5. In paragraphs 1, 2A and 3 the "relevant methodology objectives" means, subject to paragraph 6, the following objectives -
 - a. save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;
 - aa. that, in so far as prices in respect of transportation arrangements are established by auction, either:
 - (i) no reserve price is applied, or
 - (ii) that reserve price is set at a level -
 - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and
 - (II) best calculated to promote competition between gas suppliers and between gas shippers;
 - b. that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;
 - c. that, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and
 - d. that the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).
6. Where -
 - a. the charging methodology results in charges which, or the revenue derived from which, are, in the main, not controlled or limited in pursuance of any standard condition or Standard Special Condition of this licence other than Standard Special Condition A4 (Charging – General); and
 - b. the Authority has not accepted that, for a specified period, this paragraph should not apply or has so accepted subject to standard conditions or Standard Special Conditions which are not satisfied,

“the relevant methodology objectives” shall include the following objective, namely, that the charging methodology results in charges which, taking one charge with another and one year with another, permit the licensee to make a reasonable profit, and no more, from its transportation business so, however, that, for the purposes of this paragraph, there shall be disregarded

- - (i) revenue derived from that business by way of charges (within the meaning of standard condition 4B (Connection Charges etc)) to which any provisions of that standard condition have effect and which are in respect of premises within an area for the time being so designated; and
 - (ii) any payments made by the licensee in connection with the proposed development of an area for the time being not so designated to a person who has an interest in land in that area, other than by way of reasonable consideration for an interest in land or for goods or services with which the licensee is provided.
7. The licensee shall comply with any direction given from time to time by the Authority requiring the licensee -
- a. subject to paragraphs 8 and 9 to publish such information as may be specified or described in the direction -
 - (i) as to any of the costs incurred by the licensee in its transportation business, or
 - (ii) relating to the charging methodology as modified from time to time in accordance with paragraph 1; and
 - b. to do so in such form and manner and with such frequency as may be so specified.
8. The licensee shall not be required by paragraph 7 to publish any information or any document which it could not be compelled to give in evidence or produce in civil proceedings before the court.
9. In publishing any information in pursuance of paragraph 7 the licensee shall have regard to the need for excluding, 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.
10. Any question arising under paragraph 9, as to whether the publication of some matter which relate to the affairs of a person would or might seriously and prejudicially affect his interests, shall be determined by the Authority.
- 10A Unless the Authority directs otherwise, paragraph 10B of this condition shall apply where a report in respect of any proposal for modification of the charging methodology is furnished to the Authority in accordance with paragraph 2 of this condition as in force at 30 December 2010 before 31 December 2010.
- 10B The licensee shall not make a modification of the 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 in accordance with paragraph 2 of this condition as in force at 30 December 2010 given a direction to the licensee that the modification shall not be made.
11. In this condition:
- “**supply of transportation services**” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to “transportation system” shall be construed as meaning the facilities to

which this licence relates which are used by the licensee for the conveyance of gas within Great Britain or any part thereof; and

"transportation arrangements"

shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to the term "pipe-line system" shall be amended so as to refer to "pipe-line system or any part thereof".

Standard Special Condition A11. Network Code and Uniform Network Code

Transportation Arrangements

1. The licensee shall establish transportation arrangements, pursuant to paragraphs 3 and 6 of this condition which, in respect of matters other than those to which ~~Standard Special Conditions A4 (Charging – General) and A5 (Obligations as Regard Charging Methodology)~~ the UNC charging methodologies relate, ~~which~~ are calculated, consistent with the licensee's duties under section 9 of the Act, to facilitate the achievement of the following objectives –
 - a. the efficient and economic operation of the pipe-line system to which this licence relates;
 - b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;
 - c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;
 - d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:
 - (i) between relevant shippers;
 - (ii) between relevant suppliers; and/or
 - (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;
 - e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers; and
 - f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;
~~hereinafter referred to as the “~~**relevant objectives**~~”.~~
- 1A. In paragraph 1 sub-paragraph (e), “domestic customer supply security standards” means, subject to paragraph 1B,
 - a. the availability of a supply of gas which would equal the peak aggregate daily demand for gas by the relevant gas supplier’s current domestic customers which, having regard to historical weather data derived from at least the previous 50 years and other relevant factors, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years; and
 - b. the availability of supplies of gas-
 - (i) over a year which would equal the aggregate annual demand for gas by those customers; and
 - (ii) over the first six months of a year which would equal the aggregate demand for gas by those customers during such a six month period, which, in each case, having regard to such data as aforesaid and other relevant factors, is likely to be exceeded only in 1 year out of 50 years.

- 1B. For the purposes of paragraph 1A, "daily" means over a period beginning at 6am on one day and ending immediately before 6am on the following day and "year" means a period of 12 months beginning with 1 October; and if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and the National Consumer Council, the Authority is satisfied that the domestic supply security standard would be adequate if paragraph 1A were modified-
- a. by the substitution, in paragraph 1A(a) or (b), of a reference to data derived from a period of less than the 50 previous years;
 - b. by the substitution in paragraph 1A(a) of a higher probability than the 1 in 20 years mentioned in that paragraph; or
 - c. by the substitution in paragraph 1A(b) of a higher probability than the 1 in 50 years mentioned in that paragraph,
- the Authority may, subject to paragraph 1C, make such modifications by notice which-
- (i) is given and published by the Authority for the purposes of this condition generally; and
 - (ii) specifies the modifications and the date on which they are to take effect.
- 1C. Paragraph 1A(a) shall only be modified if, at the same time, the Authority makes similar modifications to-
- a. paragraph 2(b) of Standard Special Condition A9 (Pipe-Line System Security Standards); and
 - b. sub-paragraph (b) of the definition of "security standards" in standard condition 1 (Definitions and Interpretation) of the standard conditions of gas shippers' licences.
2. ~~Not used. In relation to a proposed modification of the network code modification procedures, a reference to the relevant objectives is a reference to the requirements in paragraphs 9 and 12 of this condition (to the extent that those requirements do not conflict with the objectives set out in paragraph 1).~~

Network Code

3. Subject to paragraph 4, in respect of the pipe-line system to which this licence relates, the licensee shall, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (the "**network code**") setting out (together with the terms of any other arrangements which the licensee considers it appropriate to set out in the document):
- a. the terms of the arrangements made in pursuance of paragraph 1 save in so far as they relate to matters regulated by standard condition 4B (Connection Charges etc) or are contained in such an agreement, or an agreement of such a class or description, as may be designated by the Authority for the purposes of this condition; and
 - b. the network code modification procedures established pursuant to paragraph 7 to the extent that such procedures differ from those set out in the uniform network code following Authority consent pursuant to paragraph 8,
- and the licensee shall furnish the Authority with a copy thereof.
4. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, it may apply to the Authority for written consent to prepare a single network code in respect of the

pipe-line systems to which those licences relate, which consent may be granted subject to such conditions as the Authority may direct.

5. The network code prepared by or on behalf of the licensee shall incorporate by reference the terms of the uniform network code except where the Authority consents otherwise in writing; and references in the conditions of this licence to the network code include the uniform network code (as may be varied from time to time) as so incorporated, unless otherwise stated.

Uniform Network Code

6. The licensee shall, together with the other relevant gas transporters, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (the "**uniform network code**") setting out:
 - a. the terms of transportation arrangements established by the licensee and other relevant gas transporters, to the extent that such terms are common, or are not in conflict, between relevant gas transporters; and
 - b. the network code modification procedures established pursuant to paragraph 7 including procedures required by paragraphs 15A to 15C, which are, subject to paragraph 8, incorporated by reference into each network code prepared by or on behalf of each relevant gas transporter; and
 - c. the arrangements establishing a secretarial or administrative person or body, as specified in the uniform network code and the joint governance arrangements established in accordance with Standard Special Condition A12 (Joint Office Governance Arrangements) (the "**code administrator**") and setting out the code administrator's powers, duties and functions, which shall:
 - (i) include a requirement that, in conjunction with other code administrators, the code administrator will maintain, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
 - (ii) include facilitating the procedures established in accordance with paragraph 7; and
 - (iii) have regard to and, in particular to the extent that they are relevant, be consistent with the principles contained in, the Code of Practice; and
 - d. the arrangements establishing a panel body, as specified in the uniform network code, (the "**panel**") whose functions shall include the matters required by this condition and whose composition shall include:
 - (i) an independent chairperson approved by the Authority; and
 - (ii) a consumer representative (appointed by the National Consumer Council, or any successor body) and any other consumer representative as may be appointed by the Authority,each of whom shall have a vote as specified in the uniform network code; and
 - e. the UNC charging methodologies,

and the licensee shall furnish the Authority with a copy thereof.

Network Code Modification Procedures

7. The licensee shall, together with the other relevant gas transporters, establish and operate procedures (“**network code modification procedures**”), for the modification of the uniform network code and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.
8. In accordance with paragraphs 5 and 6, unless the Authority consents otherwise in writing, the network code modification procedures shall be contained in the uniform network code.
9. The network code modification procedures shall provide for:
 - a. without prejudice to paragraphs 15A and 15B a mechanism by which any of
 - (i) the uniform network code; and
 - (ii) each of the network codes prepared by or on behalf of each relevant gas transporter,may be modified;
 - aa. the provision by the code administrator of assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, small participants and consumer representatives) that request the code administrator's assistance in relation to the uniform network code including, but not limited to, assistance with:
 - (i) drafting a modification proposal;
 - (ii) understanding the operation of the uniform network code;
 - (iii) their involvement in, and representation during, the network code modification procedures (including but not limited to panel, and/or workgroup meetings) as required by this condition, specified in the uniform network code, or described in the Code of Practice; and
 - (iv) accessing information relating to modification proposals and/or modifications;
 - ab. in relation to proposals to modify the UNC charging methodologies, compliance (as applicable) with:
 - (i) in respect of the NTS operator only, paragraphs 7 and 8 of Standard Condition 4B (Connection Charging Methodology); and
 - (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 (Charging - General);
 - ac. for
 - (i) the regular convening of the charging methodology forum for the purposes of discussing further development of the UNC charging methodologies; and
 - (ii) for the provision of information by the licensee in accordance with paragraphs 8, 11 and 14 of Standard Condition 4B (Connection Charging Methodology) and paragraph 3 of Standard Special Condition A4 (Charging - general); and
 - (iii) insofar as reasonably practicable, the provision by the licensee of such other information or assistance as a materially affected party may reasonably request for the purposes of preparing a proposal to modify a UNC charging methodology;

- b. (i) the making of proposals for the modification of the uniform network code in accordance with paragraphs 10(a), 10(aa), 10(ab), and 15D of this condition; and/or
 - (ii) the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 11(a) of this condition;
 - c. the making of alternative modification proposals in accordance with paragraphs 10(b) and 11(b) of this condition, except in a case where the Authority otherwise directs in writing;
 - d. the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters, ~~and~~, all relevant shippers, small participants and consumer representatives, and sending a copy of the proposal to any person who asks for one;
 - da. proper evaluation of the suitability of the significant code review or self-governance route for a particular modification proposal;
 - e. except in respect of proposals falling within the scope of paragraph 15D, the seeking of the views of the Authority on any matter connected with any such proposal;
 - f. the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented including representations made by small participants and/or consumer representatives; ~~and~~
 - g. where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable; and
 - h. for each of the procedural steps outlined in this paragraph 9, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice.
10. In respect of the uniform network code:
- a. subject to paragraphs 15A and 15B, a modification proposal which does not relate to a UNC charging methodology proposal may be made by the following:
 - (i) the licensee;
 - (ii) each other relevant gas transporter;
 - (iii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification; and/or
 - (iv) any other relevant person (a "**third party participant**") identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; ~~and~~
 - aa. a modification proposal shall be made (and not withdrawn without the Authority's prior consent) by the licensee in accordance with a direction issued by the Authority pursuant to paragraph 15C (the "**significant code review route**"); and
 - ab a modification proposal relating to a UNC charging methodology may only be made by the licensee and/or relevant shippers and/or DN operators as

appropriate and/or a materially affected party in accordance with the provisions of the uniform network code unless otherwise permitted by the Authority:

- b. where a modification proposal has been made under paragraphs 10(a), 10(aa) or 10(ab) of this condition (an "**original proposal**") alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 10(a) 10(aa) or 10(ab) of this condition with the exception of the person who made the original proposal provided that:
 - (i) the alternative proposal is made as described in the Code of Practice and as further specified in the uniform network code; and
 - (ii) unless an extension of time has been approved by the panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period (as specified in the uniform network code) from the date on which the original modification was proposed.
11. In respect of each network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it):
 - a. a modification proposal may be made by one of the following:
 - (i) the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates,
 - (ii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;
 - (iii) a DN operator with whom the licensee has entered into transportation arrangements in respect of the pipe-line system to which this licence relates; and/or
 - (iv) any other relevant person (a "**third party participant**") identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; and
 - b. where a modification proposal has been made under paragraph 11(a) of this condition (an "**original proposal**"), alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 11(a) of this condition with the exception of the person who made the original proposal.
 12. Subject to paragraphs 9, 10 and 11 of this condition, the network code modification procedures may include provisions which differ as between proposed modifications to the uniform network code and proposed modifications to each network code prepared by or on behalf of each relevant gas transporter (excluding the terms of the uniform network code incorporated within it).

Modification of Network Code and Uniform Network Code

13. The licensee shall not make any modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) or make or permit any modification to the uniform network code except:
 - a. to comply with paragraphs 15(b) or 16; ~~or~~
 - b. with the written consent of the Authority; or
 - c. in accordance with paragraph 15D (the "**self-governance route**") and 15F.

and shall furnish or cause to be furnished to the Authority a copy of any such modification made.

14. Where:

- a. the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from the conveyance of gas through the pipe-line system to which this licence relates; and
- b. a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code could, consistent with the relevant objectives, appropriately deal with the matter,

the licensee shall propose such a modification in accordance with the network code modification procedures, and any requirement that a modification be such as to better facilitate the achievement of the relevant objectives shall be treated as met if the modification is consistent with those objectives.

15. Where a proposal is made in accordance with the network code modification procedures to modify the network code prepared by or on behalf of the licensee, (excluding the terms of the uniform network code incorporated within it) or the uniform network code the licensee shall unless, in the case of a proposal falling within the scope of paragraph 15D, otherwise directed by the Authority:

- a. as soon as is reasonably practicable in accordance with the time periods specified in the uniform network code, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice, give notice to the Authority:
 - (i) giving particulars of the proposal;
 - (ii) where an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;
 - (iii) giving particulars of any representations by:
 - (aa) the licensee,
 - (bb) any other relevant gas transporter,
 - (cc) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification,
 - (dd) in respect of modifications to a network code (excluding the terms of the uniform network code incorporated within it) only, a DN operator with whom the licensee has entered into transportation arrangements in respect of the pipe-line system to which this licence relates, or
 - (ee) any other person with respect to those proposals;
 - (iv) including a recommendation (or, in the case of a proposal falling within the scope of paragraph 15D, a determination) (on the part of such person or body as may be provided for in the network code modification procedures) by the panel as to whether any proposed modification should or should not be made, and the factors which (in the opinion of the panel such person or body) justify the making or not making of a proposed modification, which shall include:
 - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and

- (bb) where the impact is likely to be material, the evaluation of the proposed modification in respect of the relevant objectives shall include an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time; and
- (v) giving such further information as may be required to be given to the Authority by the network code modification procedures; and
- b. without prejudice to paragraph 15D comply with any direction of the Authority
- (i) to make a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under paragraph 15(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or
- (ii) to revise and re-submit a notice provided in accordance with paragraph 15(a) to reflect the additional steps (including drafting or amending existing drafting of the amendment to the uniform network code), revisions (including timetable revisions), analysis or additional information specified in the direction to enable the Authority to form such an opinion in accordance with paragraph 15(b)(i) as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification).

Significant code reviews

15A. The network code modification procedures shall provide that proposals for modification of the uniform network code falling within the scope of a significant code review may not be made by the parties listed in paragraph 10(a)(i-iv) and 10(ab) during the significant code review phase, except where:

- a. the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
- b. the modification proposal is made by the licensee in accordance with paragraphs 10(aa) and 15C.

15B. The network code modification procedures shall provide that where a modification proposal is made during the significant code review phase, unless otherwise exempted by the Authority, the panel shall:

- a. comply with the steps in paragraph 9; and
- b. as soon as practicable notify the Authority of:
- (i) any representations received in relation to the suitability of the significant code review route; and

- (ii) the panel's assessment of whether the proposal falls within the scope of a significant code review and the applicability of the exceptions under paragraph 15A(a) or (b), and its reasons for that assessment; and
- c. not proceed with the modification proposal without the Authority's prior consent.

15C. The network code modification procedures shall provide that if within twenty-eight (28) days after the Authority has published its significant code review conclusions, the Authority issues to the licensee:

- a. directions, the licensee shall comply with those directions;
- b. a statement that no directions under sub-paragraph (a) will be issued in relation to the uniform network code, the licensee shall treat the significant code review phase as ended;
- c. neither directions under sub-paragraph (a), or a statement under sub-paragraph (b), the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee/relevant gas transporter(s), shall not fetter the voting rights of the members of the panel or the procedures informing the recommendation described at paragraph 15(a)(iv).

Self-governance

15D. The network code modification procedures shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 15D where:

- a. (i) in the view of the panel the modification proposal meets, all of the self-governance criteria, and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement;
or
(ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and
- b. unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 15D(d); and
- c. the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 15D(d); and
- d. the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 15D(b), determined, in accordance with paragraphs 9(d) to (f) and 15(a) of this condition as applicable, that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the uniform network code and any other modifications proposed in accordance with

paragraph 10(b), better facilitate the achievement of the applicable objective(s); and

e. (i) no appeal has been raised up to and including 15 days after the panel's determination under paragraph 15D(d) in respect of such modification proposal and any alternative in accordance with paragraph 15E; or

(ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 15E and the Authority has not quashed the panel's determination referred to at paragraph 15D(d) of this condition and either remitted the relevant modification proposal and any alternative back to the panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

15E. The network code modification procedures shall provide that those persons set out at paragraph 10 may appeal to the Authority the approval or rejection by the panel of a modification proposal and any alternative falling under the self-governance route, provided the appeal has been made up to and including 15 days after the approval or rejection and in accordance with the procedures specified in the uniform network code and, in the opinion of the Authority:

a. (i) the appealing party is, or is likely to be, unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or

(ii) the appeal is on the grounds that:

(1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the applicable BSC objectives; or

(2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the applicable BSC objectives; and

b. it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

15F. The network code modification procedures shall provide that:

a. where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 15E that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal;

b. if the Authority quashes the panel's determination referred to at paragraph 15D(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 15E, the panel's determination of that modification proposal and any alternative referred to in paragraph 15D(d) of this condition shall be treated as a notice given to the Authority in accordance with the procedures specified in paragraph 15(a) of this condition and paragraph 15(b)(i) of this

condition and the panel's determination shall be treated as its recommendation.

16. Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code).
17. The licensee shall:
 - a. prepare and publish a summary of (i) the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and (ii) the uniform network code as modified or changed from time to time in such form and manner as the Authority may from time to time direct;
 - b. make available a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and the uniform network code as modified from time to time to any person who asks for one and makes such payment to (or to a person nominated by) the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof; and
 - c. provide, or cause to be provided, a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and the uniform network code as modified from time to time on a web-site freely available to all interested parties (the web-site address of which shall be disseminated to such interested parties).

Determinations by the Authority

18. Where a provision of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code requires that, in circumstances specified in the provision, a determination by the licensee pursuant to that provision in a particular case should be such as is calculated to facilitate the achievement of the relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.
19. The network code modification procedures shall provide that any question arising under the network code modification procedures as to:
 - a. whether a gas shipper or other person is likely to be materially affected by a proposal to modify the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code were such a proposal to be implemented; or
 - b. whether representations relating to such a proposal and made in pursuance of the rules have been properly considered by the licensee,shall be determined by the Authority.

Miscellaneous

19A. Without prejudice to any rights of approval, veto or direction which the Authority may have, the licensee:

a. shall take all reasonable measures to secure and implement (consistently with the applicable procedures) changes to industry codes to which it is a party (or in relation to which it holds rights of amendment); and

b. shall not take steps to prevent or unduly delay changes to industry codes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the uniform network code, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the uniform network code and any industry code.

20. NOT USED

21. NOT USED

22. If the Authority so consents, this condition shall have effect as if the definition of "transportation arrangements" in Standard Special Condition A3 (Definitions and Interpretation) referred only to gas consisting wholly or mainly of methane.

23. Any reference to "relevant shipper" in any of paragraphs 9(d), 9(f), 10(a)(iii), 11(a)(ii), or 15(a)(iii)(cc) shall, where it relates to any proposed modification which could have been proposed by a third party participant under the network code modification procedures, be treated as if it were also a reference to all such third party participants.

23A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and shall create or modify industry documents including, but not limited to, the uniform network code and industry codes where necessary no later than 31 December 2010.

24. a. In this condition:

"charging methodology forum" means the forum (and related arrangements) established in the manner specified in the uniform network code to facilitate meetings between the licensee, other relevant gas transporters, and any other persons whose interests are materially affected by the applicable charging methodologies for the purpose of discussing the further development of the applicable charging methodologies, as shall be specified in the uniform network code.

"Code of Practice" means the Code Administration Code of Practice approved by the Authority and:

(a) developed and maintained by the code administrators in existence from time to time; and

(b) amended subject to the Authority's approval from time to time; and

(c) re-published from time to time.

“combined pipe-line system” means the pipe-line system to which this licence relates and the pipe-line system of each other relevant gas transporter taken as a whole;

“directions” means, in the context of paragraph 15C, direction(s) issued following publication of significant code review conclusions which shall contain:

(i) instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal;

(ii) the timetable for the licensee to comply with the Authority's direction(s); and

(iii) the Authority's reasons for its direction(s).

“industry code” means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Electricity Act 1989 or under sections 7, 7ZA or 7A the Act.

“materially affected party” means, for the purposes of paragraphs 9(ac)(iii) and 10(ab) of this condition, any person or class of persons designated by the Authority for this purpose.

“network code modification procedures”

means the modification procedures referred to in paragraph 7 of this condition;

“relevant objectives” means:

(i) in respect of transportation arrangements pursuant to paragraphs 3 and 6 of this condition, in respect of matters other than those to which the UNC charging methodologies relate, the objectives set out at paragraph 1 of this condition;

(ii) in respect of the UNC charging methodologies, only;

(aa) in relation to a connection charging methodology regulated by Standard Condition 4B, the “relevant objectives” listed in paragraph 5 of that condition;

(bb) in relation to the charging methodology regulated by Standard Special Condition A5 the "relevant methodology objectives" listed in paragraph 5 of that condition,

as applicable; and

(iii) in relation to a proposed modification of the network code modification procedures only, the objectives set out in paragraph 9 of this condition (to the extent that those requirements do not conflict with the objectives set out in paragraph 1),

as applicable.

"self-governance criteria" means a proposal that, if implemented,

(i) is unlikely to have a material effect on:

(aa) existing or future gas consumers; and

(bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and

(cc) the operation of one or more pipe-line system(s); and

(dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(ee) the uniform network code governance procedures or the network code modification procedures; and

(ii) is unlikely to discriminate between different classes of parties to the uniform network code / relevant gas transporters, gas shippers or DN operators.

"self-governance statement" means the statement made by the panel and submitted to the Authority in accordance with paragraph 15D(a)(i):

(i) confirming that, in its opinion, the self-governance criteria are met and the modification is suitable for the self-governance route; and

(ii) providing a detailed explanation of the panel's reasons for that opinion.

“significant code review”

means a review of one or more matters which the Authority considers are likely to:

(a) relate to the uniform network code (either on its own or in conjunction with other industry codes); and

(b) be of particular significance in relation to its principal objective and/or general duties (under section 4AA of the Act), statutory functions and/or obligations arising under EU law; and

concerning which the Authority has issued a notice to the parties listed in paragraph 10(a)(i-iv) (among others, as appropriate) stating:

- (i) that the review will constitute a significant code review;
- (ii) the start date of the significant code review; and
- (iii) the matters that will fall within the scope of the review.

“significant code review phase” means the period commencing on the start date of a significant code review as stated by the Authority, and ending in one of the following ways:

(a) on the date on which the Authority issues a statement under paragraph 15C(b) (that no directions will be issued in relation to the uniform network code); or

(b) if no statement is made under 15C(b), on the date on which the licensee has made a modification proposal in accordance with paragraphs 10(aa), 15C(a); or

(c) immediately under paragraph 15C(c), if neither a statement, or directions are issued by the Authority up to and including twenty-eight (28) days from the Authority’s publication of its significant code review conclusions.

“small participant”

means

(i) a shipper, a supplier, or new entrant to the gas market in Great Britain that can demonstrate to the code administrator that it is resource-constrained and, therefore, is in particular need of assistance;

(ii) any other participant or class of participant that the code administrator

considers to be in particular need of assistance; and

(iii) a participant or class of participant that the Authority has notified the code administrator as being in particular need of assistance.

“UNC charging methodologies” means:

(i) in respect of the NTS operator only, the connection charging methodology regulated by Standard Condition 4B (Connection Charging Methodology);

(ii) in respect of the NTS operator and DN operator(s), the charging methodologies regulated by:

(aa) Standard Special Condition A4 (Charging – General); and

(bb) Standard Special Condition A5 (Obligations As Regards Charging Methodology).

- b. Where the context requires,
- (i) references to a network code shall include the equivalent document prepared by each other relevant gas transporter (as from time to time modified) pursuant to the condition in its licence corresponding to this condition; and
 - (ii) references to transportation arrangements shall include the corresponding arrangements made by each other relevant gas transporter.

For the purposes of this condition, relevant shipper shall have the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation) and references to a relevant shipper include any gas shipper which is a relevant shipper for the purposes of the licence of any relevant gas transporter.

Standard special condition A12: Joint Office Governance Arrangements

1. The licensee shall:
 - (a) together with all other relevant gas transporters, establish, develop and operate (or otherwise procure the operation of) arrangements ("joint governance arrangements") for:
 - (i) the administration of the network code modification procedures (as defined in paragraph 7 and further defined in paragraph 9 of Standard Special Condition A11 (Network Code and Uniform Network Code));
 - (ii) giving effect to the provisions of Standard Special Condition A11 (Network Code and Uniform Network Code), Standard Special Condition A4 (Charging – General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology) relating to the administering of the coordination of the modification of the licensee's and the other relevant gas transporters' respective charges or reserve prices or charging methodologies (as the case may be);
 - (iii) the administration of such matters as are provided for in the uniform network code to be implemented by the relevant gas transporters on a common, joint or coordinated basis, consistent with the provisions of Standard Special Condition A15 (Agency);
 - (iv) so far as is consistent with sub-paragraphs (i) to (iii), the promotion of efficiency in the implementation and administration of the network code and/or uniform network code; and
 - (v) such other matters as they may decide, subject to their licence and statutory obligations;
 - (b) by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have entered into an agreement ("JGA agreement") with the other relevant gas transporters, providing for the establishment and operation of the joint governance arrangements;
 - (c) provide or cause to be provided to the Authority a copy of the JGA agreement and each amendment thereof; and
 - (d) publish, or cause to be published, a copy of the JGA agreement as modified from time to time, with the exception of information agreed in writing as being confidential by the Authority.
2. The joint governance arrangements shall, without limitation, be such as are calculated, consistent with the efficient discharge of each relevant gas transporter's obligations under the Act and its respective licence:
 - (a) to ensure compliance with the network code modification procedures;
 - (b) so far as consistent with sub-paragraph (a), to promote efficiency in the administration of the network code modification procedures and the other matters subject to the JGA agreement; and
 - (c) to avoid undue discrimination or preference as between the relevant gas transporters.
3. The licensee shall submit, or cause to be submitted, any proposed amendment to the JGA agreement to the Authority and shall not make or permit any amendment to the JGA agreement until the expiry of 90 days from the date on which the

Authority receives the proposed amendment unless prior to such date the Authority either:

- (a) consents in writing to the licensee making or permitting the amendment on an earlier date, or
- (b) directs the licensee in writing not to make or permit the amendment.

4. (a) In relation to Standard Special Condition A11 (Network Code and Uniform Network Code) of this licence, the licensee shall comply directly or shall procure compliance by means of the joint governance arrangements, with the requirements in:
- (i) paragraph 6 of Standard Special Condition A11 (Network Code and Uniform Network Code) to furnish to the Authority a copy of the uniform network code,
 - (ii) paragraph 13 of Standard Special Condition A11 (Network Code and Uniform Network Code) to furnish to the Authority a copy of any modification made,
 - (iii) paragraphs 10(aa) and 14 of Standard Special Condition A11 (Network Code and Uniform Network Code) to propose a modification,
 - (iv) paragraph 15(a) of Standard Special Condition A11 (Network Code and Uniform Network Code) to give notice to the Authority and paragraph 15(b)(ii) to furnish to the Authority a revised notice,
 - (v) paragraph 15(b) of Standard Special Condition A11 (Network Code and Uniform Network Code) to comply with a direction to make a modification
 - ~~(vA) paragraph 15D(a)(i) of Standard Special Condition A11 (Network Code and Uniform Network Code) to furnish to the Authority a self-governance statement;~~
 - (vi) paragraph 16 of Standard Special Condition A11 (Network Code and Uniform Network Code) to make a modification; and
 - (vii) paragraph 17 of Standard Special Condition A11 (Network Code and Uniform Network Code) to prepare and publish a summary, to send a copy, and to provide a copy on a freely available web-site.
- (b) Where a licensee has, directly or indirectly by means of the joint governance arrangements, provided the information or taken the action specified in subparagraphs 4(a) (i) to 4(a) (vii) inclusive, it shall have, without prejudice to any other obligations it may have, been deemed to have complied with the requirement to have provided the information or to have taken the action specified.