

**MODIFICATION OF ANNEX A OF SPECIAL CONDITION E2 OF SCOTLAND GAS NETWORKS' GAS TRANSPORTER LICENCE IN RESPECT OF ITS GAS DISTRIBUTION SYSTEM UNDER SECTION 23(1)(a) OF THE GAS ACT 1986**

**NOTICE OF REASONS FOR THE DECISION TO MODIFY ANNEX A OF SPECIAL CONDITION E2 OF SCOTLAND GAS NETWORKS GAS TRANSPORTER LICENCE UNDER SECTION 38A OF THE GAS ACT 1986**

Whereas –

1. Scotland Gas Networks (“the Licence Holder”) is the holder of a Gas Transporter Licence in respect of its Gas Distribution System (“the Licence”) granted or treated as granted under section 7 of the Gas Act 1986 (“the Act”).

2. In accordance with section 23(3) of the Act the Gas and Electricity Markets Authority (“the Authority”):

- i. gave notice (“the Notice”) on 23 April 2010 that it proposed to make modifications to Annex A of Special Condition E2 of the Licence setting out their effect;
- ii. stated the reasons for the proposed modifications; and
- iii. served a copy of the Notice on the Licensee requiring any objections or representations to the modifications to be made on or before 24 May 2010.

3. In accordance with section 23(4)(b) of the Act, the Authority gave the Secretary of State notice that it proposed to make the modifications on or before 24 May 2010 and has not received a direction not to make the modifications before the relevant time period specified in the Notices.

4. The Licence Holder gave written consent to the proposed modifications on 21 May 2010.

5. The Authority received no other responses in relation to the proposed modifications.

6. In accordance with section 38A of the Act the Authority gives the following reason for making the licence modifications:

- The licence modifications are necessary to allow the Licence Holder to recover additional revenue related to the additional system capacity that it makes available to accommodate interruption reform.

Further details of the reasons were published by the Authority in the covering letter which accompanied the Section 23 Notice of Proposed Modification of Annex A of Special Condition E2 of the Licence, published on 23 April 2010, reference 51/10.

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**THEREFORE**

In accordance with section 23(1)(a) of the Act, the Authority hereby modifies the Licence in the manner specified in Schedule A, with effect on and from 1 July 2010.

**This constitutes notice pursuant to section 38A of the Act.**

**The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of**

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**Steve Smith**

**Senior Partner, Local Grids and RPI-X@20**

**Duly Authorised on behalf of the Authority 1 July 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)**

<b>Distribution Network</b>	<b>t=1</b>	<b>t=2</b>	<b>t=3</b>	<b>t=4</b>	<b>t=5</b>
North of England	271.23	286.05	276.87	283.58	286.81
Scotland	183.68	186.94	191.75	196.26	199.16
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