

To the Company Secretary:

Scotland Gas Networks plc
Company No. SC264065
Inveralmond House
200 Dunkeld Road
Perth
Perthshire PH1 3AQ

GAS TRANSPORTERS LICENCE

STANDARD SPECIAL CONDITION A36 (RESTRICTION ON ACTIVITY AND FINANCIAL RING FENCING)

This consent is granted by the Gas and Electricity Markets Authority pursuant to Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).

WHEREAS:

- (a) Scotland Gas Networks plc (the "Licensee") is the holder of a gas transporter's licence (the "licence") granted by the Gas and Electricity Markets Authority (the "Authority") under section 7 of the Gas Act 1986 (the "Act")
- (b) Pursuant to Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) ("SSC A36") the Licensee is permitted to carry on certain business or conduct certain activities provided that the Authority consents in writing.
- (c) On 25 May 2005, the Authority, in response to respective requests of 6 April and 24 May 2005 on behalf of and by Blackwater SC A Limited (the previous name of the Licensee) granted consent (the "25 May consent") to Blackwater SC A pursuant to SSC A36 to conduct certain activities under certain service arrangements and agreements (including an agreement for provision of offtakes and general assets maintenance services to Transco plc (now known as National Grid Gas plc); as well as emergency assistance agreements for the provision of emergency services to gas transporters under Standard Special Condition A41 (Emergency Services to or on behalf of another Gas Transporter)), which were described in Schedule 1 to the 25 May consent and the Tables in the request of 2 April 2005.
- (d) On 8 February 2007, 25 May 2007, 3 July 2007, 12 November 2007 and 17 April 2008 the Licensee requested of the Authority that consent be renewed in relation to the agreement for provision of offtakes and general assets maintenance services to National Grid Gas plc and the emergency assistance agreements regarding gas transporters.
- (e) On 12 May 2008 the consent was renewed by the Authority until 31 March 2009 (the "12 May 2008 consent") in respect of the activities as set out in that consent and in Schedule 1 hereto.
- (f) Ofgem undertook a review of the Gas Transporter to Gas Transporter services which are covered by consents and then consulted on 19 December 2008 to seek views on how such services should be provided in the future. The views expressed in the responses to that consultation have assisted the Authority in deciding how requests for renewal of these consents should be treated in the future.
- (g) The Licensee wrote to Ofgem on 26 October 2009 requesting an extension to the 12 May 2008 consent to allow the Licensee to continue to conduct the activities described in above paragraph (c) of this recital and set out in the Schedule hereto.

(h) The Licensee by requesting consent renewal has taken all such steps as it appears to the Authority for the time being to be appropriate for the Licensee to take for the purpose of securing or facilitating compliance with SSC A36(3)(d).

(i) Having carefully considered the Licensee's application the Authority is minded to give consent as requested, but on the terms and conditions set out in this letter.

NOW THE AUTHORITY HEREBY CONSENTS AS FOLLOWS:

1, Having regard to the Licensee's 26 October 2009 request the Authority hereby consents, subject to paragraphs 2 and 3 below, to the Licensee providing offtakes and general assets maintenance services to National Grid Gas plc and the emergency assistance agreement to gas transporters as described in Schedule 1 hereto.

2. This consent took effect from 1 April 2009 and shall continue until 31 March 2013 unless revoked, amended or replaced by the Authority following consultation with the Licensee on giving six months prior written notice to the Licensee or such other period as may be agreed in writing between the Authority and the Licensee.

3, This consent is issued pursuant to SSC A36 (3)(d) only and, as such, its effect is restricted to this condition unless otherwise stated and for the avoidance of doubt –

(a) nothing in this consent shall fetter the Authority's discretion in relation to the interpretation or enforcement of any other provision of the licence, including, without limitation, any other paragraph of SSC A36, even if such interpretation or enforcement relates to the activities covered by this consent;

(b) any reference in this consent to compliance with any specific provision of the licence or the absence of such references in this consent or any other consent, acceptance, approval, direction, indication, agreement or other similar licence related instrument issued by the Authority, shall in no way be construed as meaning that the Licensee is not required to comply with any condition which is not specifically referenced and no adverse inference shall be drawn by any inconsistencies in approach; and

(c) notwithstanding paragraph 2, in the event that the Authority determines that the Licensee has breached this consent, this consent shall be revocable immediately without notice at the sole discretion of the Authority.

4. For the avoidance of doubt, this consent replaces the 12 May 2008 consent, and from 1 April 2009 the 12 May 2008 consent ceased to have effect.

NOTICE

This document also constitutes notice under section 38A of the Act of the reasons for the Authority's decision to grant consent.

Dated 27 November 2009



Rachel Fletcher
Partner, Distribution

Duly authorised by the Authority

Schedule 1

Service Recipient(s)	Contract / Service Agreement	Commencement Date	Expiry Date
National Grid Gas plc	<p>Agreement for the Provision of Offtakes and General Assets Maintenance Services</p> <p>Provision of services by the Licensee to National Grid Gas plc for:</p> <ul style="list-style-type: none">• Routine maintenance including mechanical, electrical, instrumentation and telemetry;• Non-routine maintenance as agreed with UK Transmission under the service agreement;• Annual Maintenance Plan;• Emergency Services; and• Qualified resources available on a reasonable endeavours basis to support NTS maintenance when requested.	1 April 2009	31 March 2013
All Gas Transporters	<p>Emergency Assistance Agreement</p> <p>Provision of assistance between Gas Transporters in the event of a gas emergency.</p>	1 April 2009	31 March 2013