

Gas Distribution Licence Review: Phase I - Proposals for restructuring the Gas Transporters Licence

Document type: Consultation

Ref: 105/10

Date of publication: 6 August 2010

Deadline for response: 17 September 2010

Target audience: Gas Transporters, Independent Gas Transporters and other interested parties

Overview:

Ofgem is reviewing the Gas Transporters Licence as part of its drive towards Better Regulation. Our intention for this review is to focus on the elements of the licence that relate to the Gas Distribution Networks (GDNs). We aim to improve the clarity and ease of use of these elements of the licence, without making any changes to underlying policies. This approach follows a similar review that was conducted on the Electricity Distribution Licence in 2008.

Before embarking on the detailed redrafting of elements of the licence, we propose to revise the current structure of the licence in order to separate out those elements that relate to GDNs. We consider that this approach will ensure that those parties that are not affected by the distribution elements of the licence (National Transmission System (NTS) and Independent Gas Transporters (IGTs)) can focus their involvement on the potential impact the restructuring of the licence could have on licence modification procedures, without needing to be involved in the subsequent detailed redrafting of the licence.

This document describes the different licence structure options being considered and the potential implications. We welcome views on the options presented.

Contact name and details: Bimbola Ayo, Senior Analyst, Distribution Policy

Tel: 020 7901 7184

Email: bimbola.ayo@ofgem.gov.uk

Team: Distribution Policy, Smarter Grids & Governance Division

Context

This consultation is Phase I of the Gas Distribution Licence Review. The review's main objectives are to ensure that the licence conditions that apply to GDNs are clear and easy to use, and conform to the principles of Better Regulation. This document invites views on the various licence structure options being considered before we begin the substantive redrafting of the Gas Distribution Licence.

The Gas Distribution Licence Review is referred to in Ofgem's Corporate Strategy and Plan 2010-2015 and is consistent with our commitment to incorporate the principles of Better Regulation into our policies and processes.

Associated Documents

- Open letter: Gas Distribution Licence Review - May 2010
<http://www.ofgem.gov.uk/Networks/GasDistr/otherwork/Pages/OtherWork.aspx>
- Ofgem Corporate Strategy and Plan 2010-2015 - March 2010
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=376&refer=About%20us/CorpPlan>
- Better Regulation - form design to delivery: Annual report
<http://www.brc.gov.uk/upload/assets/www.brc.gov.uk/designdelivery.pdf>

Table of Contents

Summary	1
1. Gas Distribution Licence Review	2
Background	2
2. Structure of the Gas Transporters Licence	4
Structure of the Gas Transporters licence before DN sales	4
Structure of Gas Transporter licence post DN sales	4
Statutory and Private Collective Licence Modification (CLM) Procedure	6
3. Licence structure options under consideration	8
Option 1: Transfer all NTS and GDN conditions into the Standard Special Conditions	8
Implications of Option 1	8
Option 2: Transfer all NTS and GDN conditions into the Standard Conditions.....	9
Implications of Option 2	9
Option 3: Transfer all Standard Conditions and relevant Standard Special Conditions in Part A that would clearly benefit from separation into the relevant NTS and GDN Parts (Part B and D respectively) of Part IV of the licence	9
Implications of option 3	10
Option 4: Leave the licence structure as it is	10
Implications of option4	10
4. Next steps	11
Appendices	12
Appendix 1 - Consultation Response and Questions	13
Appendix 2 – GDLR Workgroup Membership	14
Appendix 3 – The Authority’s Powers and Duties	15
Appendix 4 - Glossary.....	18
Appendix 5 - Feedback Questionnaire	20

Summary

Ofgem is reviewing the elements of the Gas Transporters Licence that relate to the Gas Distribution Networks (GDNs) as part of its drive towards Better Regulation. The Gas Transporters Licence is currently shared by the National Transmission System (NTS) the GDNs and the Independent Gas Transporters (IGTs). Our intention for this review is to focus on the elements that relate to GDNs. We aim to improve the clarity and ease of use of the licence, without any changes to underlying policies. A similar approach was taken in the Electricity Distribution Licence Review in 2008.

The review will be carried out in two phases. Phase I of the project will focus on the re-configuration of the Gas Transporters Licence in order to separate out those elements of the licence that relate to distribution activities. The other aspects of the licence which relate to transmission activities will not be subject to further review. Phase II, will cover the detailed redrafting and overall simplification of those elements of the licence that relate to distribution activities. Phase II will be consulted on separately.

This consultation relates to Phase I of the review. It presents and seeks views on a number of licence configuration options being considered for the Gas Transporters Licence. The Gas Transporters Licence currently has three main classes of conditions:

- The Standard Conditions which are common (where applicable) to all Gas Transporters.
- The Standard Special Conditions - Part A of these conditions applies to both the NTS and GDNs, Part B only applies to the NTS licensee (National Grid Gas plc), while Part D only applies to GDN licensees.
- The Special Conditions - Part C of these conditions only applies to the NTS licensee, while Part E only applies to the GDN licensees.

We have identified four possible options for altering the current structure of the licence; this is to ensure that only GDNs will be affected by the detailed redrafting of the licence in Phase II of the review. These options are:

- Transfer all NTS and GDN conditions into the Standards Special Conditions.
- Transfer all NTS and GDN conditions into the Standard Conditions.
- Transfer all Standard Conditions and relevant Standard Special Conditions in Part A that would clearly benefit from separation into the NTS (Part B) and GDN (Part D) sections of Part IV of the licence.
- Leave the licence structure as it is.

The document sets out the potential impacts of the different options upon the licence modification procedures, and in particular, the voting rights of licence holders. Broadly speaking, certain options may impact upon the rights of parties to vote in relation to conditions contained within specific sections of the licence.

1. Gas Distribution Licence Review

Chapter Summary

This chapter sets out the background to the Gas Distribution Licence Review.

Background

1.1. The gas industry currently has a single Gas Transporters Licence which was introduced by the Gas Act 1995 and which licences both the transmission and distribution of gas. The form of the licence was modified at the time of the sale by National Grid Gas plc¹ (NGG) of a number of its distribution networks in an effort to differentiate between transmission and distribution activities. The present licence is thus shared by the National Transmission System (NTS), Gas Distribution Networks (GDNs) and the Independent Gas Transporters (IGTs). The Gas Transporters Licence is the principal mechanism by which Ofgem regulates the Gas distribution industry.

1.2. The Gas Distribution Licence Review (GDLR) is outlined in our simplification plan² as work to be carried out between 2010 and 2011. As indicated in our Corporate Strategy and Plan 2010-2015, this initiative will ensure that licences remain fit for purpose and that they do not impose an unnecessary burden on licensees.

1.3. As a result, Ofgem launched the GDLR in May 2010. Our intention for this review is to focus on the elements that relate to GDNs.

1.4. A working group was established in June 2010, with the overarching responsibility of taking forward the detailed work of the GDLR. The working group has met twice since June and membership includes representatives from the GDNs, Ofgem and where appropriate, the NTS. Ofgem has met separately with the IGTs and will continue to update this group as and when appropriate.

1.5. Following the first meeting of the workgroup, it was decided that a revised licence structure should be put in place prior to embarking on a detailed programme of redrafting. As a result, the GDLR will be split into two phases.

1.6. Phase I of the review involves putting in place a revised licence structure and is the focus of this consultation. The working group considered that this approach

¹At the time of DN sales, National Grid Gas Plc was called Transco Plc.

²An Ofgem process initiative aimed at reducing regulatory burden and improving efficiency and effectiveness; included in the Corporate Strategy and Plan 2010-2015.

would ensure that affected parties (NTS and IGTs) can focus on the impact any licence restructure may have on licence modification procedures, without needing to be involved in the subsequent detailed redrafting of the GDN licence conditions.

1.7. Phase II of the review will focus on improving the clarity and ease of use of the GDN licence conditions without altering any underlying policy obligations. This phase will involve detailed redrafting of legal text and will be consulted on separately to this process.

2. Structure of the Gas Transporters Licence

Chapter Summary

This chapter outlines the structure of the Gas Transporters Licence pre and post DN sales and gives an overview of licence modification procedures.

Structure of the Gas Transporters licence before DN sales

2.1. In 2005 NGG sold off four of its eight GDNs, a process referred to as DN sales. Prior to these sales, the Standard Conditions were contained in Part II of the Gas Transporters Licence, the Amended Standard Conditions were contained in Part III and the Special Conditions (price control conditions) were contained in Part IV. The Standard Conditions were further divided into the following:

- Section A – Interpretation, Application and Payments
- Section B – General
- Section C – Distribution Services

2.2. At this time, all three sections of the Standard Conditions were switched on in NGG's licence and sections A and B were switched on in the IGTs' licences. There was no split between transmission and distribution activities.

2.3. In order to facilitate the sale of the four NGG GDNs, and in the absence of primary legislation, the gas transporter activities were separated into NTS and GDN activities. This separation was created within the Gas Transporters Licence itself.

Structure of Gas Transporter licence post DN sales

2.4. After DN sales, a number of key changes to the structure of the Gas Transporter Licence were introduced. Provisions that used to be within the Standard Conditions in Part II of the Gas Transporter Licence are now contained in Part II and Part IV of the licence, depending on whether the licence holder carries out NTS or GDN activities, or is an IGT.

2.5. The Standard Special Conditions were introduced as a new category of licence condition, (applying only to the eight GDNs and NTS owned by, or formerly owned by, NGG). These are essentially Standard Conditions that were disapplied and restated in a modified format in order to recognise the differences between NTS and GDN activities. They are now contained within Part IV of the licence, but are subject to a customised private collective modification procedure closely based on the statutory scheme which applies to Standard Conditions, and which has been written into the licence.

2.6. The current structure of the licence splits the document into five Parts:

- Part I : Terms & Conditions
- Part II : Standard Conditions
- Part III : Amended Standard Conditions
- Part IV : Special and Standard Special Conditions
- Schedule : Services Areas & Revocation

2.7. Parts II and IV are further split by Section/Part. Within each of these are a number of conditions that apply variously to NTS, GDNs or IGTS.

Part II Standard Conditions

	NTS	DNs	IGTS
Section A	3 Conditions (switched on)	3 Conditions	3 Conditions
Section B	6 Conditions	6 Conditions	27 Conditions
Section C	1 Condition	1 Condition	0 Conditions

Part IV Special and Standard Special Conditions

	NTS	DNs
Part A	48 Standard Special Conditions	48 Standard Special Conditions
Part B	2 Standard Special Conditions (Application & PCLM only)	0
Part C	Special Conditions	0
Part D	0	11 Standard Special Conditions
Part E	0	Special Conditions

2.8. The elements of the licence that apply to NTS are as follows:

- Part A of Part IV – Part A contains the majority of the NTS licence Standard Special Conditions. Part A also applies to the GDNs (the separation of Part A will be the key to having a distinct NTS and GDN licence).
- Part B of Part IV – Part B only applies to NTS.
- Part C of Part IV – Part C contains the Special Conditions.
- Standard Conditions – Some of the pre-DN sales provisions still reside in the Standard Conditions in Part II of the licence. The (nine) conditions switched on in sections A and B apply to all Gas Transporters. The (one) condition switched on in section C only applies to the NTS and GDN licensees.

2.9. The elements of the licence that apply to GDNs are as follows:

- Part A of Part IV – Part A contains the majority of the GDN licence Standard Special Conditions. Part A also applies to the NTS (the separation of Part A will be the key to having a distinct NTS and GDN licence).
- Part D of Part IV – Part D only applies to the GDNs.
- Part E of Part IV – Part C contains the Special Conditions.
- Standard Conditions – Some of the pre DN sales provisions still reside in the standard conditions in Part II of the licence. The (nine) conditions switched on in sections A and B apply to all Gas Transporters. The (one) condition in section C only applies to the NTS and GDN licensees.

2.10. The elements of the licence that apply to IGTs are as follows:

- Standard Conditions – The IGTs' Standard Conditions still reside in Part II of the licence. The conditions (35) switched on in sections A and B apply to the IGTs. Nine of those 35 standard conditions also apply to the NTS and GDN licensees.

Statutory and Private Collective Licence Modification (CLM) Procedure

2.11. Licence modifications may become necessary as policy develops or issues emerge. The need for a modification may be raised by Ofgem, applicants for licences, licence holders and other interested parties. Modifications can only be made provided that less than 20% of relevant licence holders object to the modification.

2.12. Licence conditions may, depending on the particular circumstances, be modified by the following methods:³

- Statutory Collective Licence Modifications (CLM) under section 23(1)(b) of the Gas Act 1986 (applicable to changes to the Standard Conditions in Part II of the licence i.e. all licensees),
-

³ This does not include modification on the grant of a licence or transfer of a licence

- Private CLM (applicable to changes to Parts A, B and D of Part IV i.e. NTS and DN licensees only), and
- Modification of a particular licence by agreement under section 23(1)(a) of the Gas Act 1986 (applicable to changes to the Standards Conditions in Part II and Parts C and E in Part IV of the licence i.e. all licensees).

2.13. The Standard Special Conditions (Parts A, B and D) for NTS and GDN licences may be collectively modified through the private CLM procedures, in exactly the same way that Standard Conditions are collectively modified through the statutory CLM procedure. As stated above, these procedures require that modifications can only be made to licence conditions when less than 20% of relevant licence holders object to a modification.

3. Licence structure options under consideration

Chapter Summary

This chapter sets out the four alternative licence structures under consideration. We discuss the implications of each option. Views are sought on options presented.

Questions

Question 1: Are there any additional options you would like to be included for consideration?

Question 2: Are there other implications of the various options presented which you believe have not been considered?

Question 3: Do you have a preference for any particular option? Please give reason(s) for your choice?

Question 4: Do you have any general comments or observations that you think should be taken into consideration as part of this consultation?

Option 1: Transfer all NTS and GDN conditions into the Standard Special Conditions

3.1. The first scenario under consideration is transferring the conditions that currently exist in Part A of Part IV of the licence (i.e. the Standard Special Conditions that apply to NTS and GDNs) into Part B (NTS) and Part D (GDNs). This would simply mean duplicating Part A, making any other consequential changes and then inserting them into the relevant part (Part B of Part IV for NTS or Part D of Part IV for GDNs).

3.2. The Standard Conditions that still apply to NTS and GDNs would be switched off, duplicated and inserted (together with any other consequential changes) into Part B and Part D. All the provisions that were once Standard Conditions would now be contained in either Part B or Part D of Part IV of the licence.

Implications of Option 1

3.3. The effect of this option is that NTS and GDNs cease to have Standard Conditions. All the provisions that used to be Standard Conditions would now be contained in either Part B or Part D of Part IV. All the different classes of licence holders would have their own modification procedures (IGTs under section 23, NTS under B2 and GDN under D2).

3.4. An outcome of this restructuring would be that IGTs would no longer be able to object to modifications to licence conditions that were once in the Standard Conditions because they would reside in the Standard Special Conditions. Similarly,

the GDNs would not be able to object to changes to the NTS conditions and vice versa.

Option 2: Transfer all NTS and GDN conditions into the Standard Conditions

3.5. A second scenario would be to move the Standard Special Conditions back into the Standard Conditions. The simplest way of doing this would be to have the NTS conditions in Section A of Part II of the licence, the GDN conditions in Section B and the IGT conditions in Section C. NTS will only have Section A switched on, GDNs will only have Section B switched on and IGTs would only have Section C switched on. This scenario would be comparable, in part, to the set up in the Transmission Licence where we have separate sections for the GB System Operator, Transmission Owners and Offshore Transmission Owners (though there are still two common sections in this case).

Implications of Option 2

3.6. Any CLM would be under section 23(1)(b) of the Act. This seems to be a clear cut solution at first sight; however the nuances of the collective licence modification procedure may not provide the degree of separation that could be achieved under option one above. Under this procedure, only relevant licence holders (i.e. a licensee who has particular conditions/sections switched on in its licence) can vote on modifications to existing conditions; for instance NTS would not be able to vote on a modification to conditions in Section B or Section C.

3.7. However, where a new condition (rather than a modified condition) is introduced into the licence, all Gas Transporter licence holders are relevant licence holders for the purposes of the Act. This means that where there is a proposal to introduce a new condition into Section A (NTS) the GDNs and IGTs would be able to object to the inclusion of that new licence condition. The same would apply for proposed new conditions for Section B (GDN) and Section C (IGTs).

Option 3: Transfer all Standard Conditions and relevant Standard Special Conditions in Part A that would clearly benefit from separation into the relevant NTS and GDN Parts (Part B and D respectively) of Part IV of the licence

3.8. In this option, those Standard Conditions in Part II of the licence would transfer into Part A, C or D of Part IV depending on their relevance to the GDN or NTS licensees. This would mean that only common licence obligations that are genuinely applicable to all NTS and GDN licensees would remain in Part A of the Standard Special Conditions. Standard Special Conditions (in Part A of Part IV) that would benefit from separation would be moved into Part B (NTS) or Part D (GDN). This would rationalise the licence, reduce the size of Part A and expand Parts B and D, targeting it more effectively to the obligations of the NTS and GDNs respectively.

Implications of option 3

3.9. This option may be a more rational and proportional approach, as separation would only occur where necessary. A more coherent structure would facilitate the re-drafting of the expanded GDN-specific elements of the licence; however, unlike options 1 and 2 above, there would still be commonality for some of the conditions when Phase II of the review begins.

Option 4: Leave the licence structure as it is

3.10. This option would mean that we would proceed straight to the GDLR without restructuring the licence beforehand. The proposal is unlikely to impact the IGTs as we would only be updating Parts A, B and D of Parts IV of the licence. Given that a large proportion of the NTS and GDN conditions are contained in Part A, Phase II of this review would need the full engagement of both NTS and GDNs.

Implications of option 4

3.11. Under this option, we would have to broaden the scope of the GDLR to incorporate NTS as the majority of the provisions in the Gas Transporter Licence are shared by NTS and the GDNs in Part A of Part IV of the licence. The Standard Conditions for each of the NTS and GDN licensees could be amended individually (to become Amended Standard Conditions) in Part III of the licence.

4. Next steps

4.1. Following this consultation, the next stage of the GDLR is to make a decision on the licence structure. The decision will be based on the options set out in this document, taking into account the views of respondents and a further legal review. We aim to make this decision by end of September 2010.

4.2. After a decision has been made on the licence structure, the licence will be re-configured and circulated to industry for informal consultation by mid October. We hope to receive feedback from industry towards the end of October. This will be followed by the statutory consultation.

4.3. We aim to issue formal statutory notices to modify the structure of the licence at the beginning of November with a view to making the necessary Modification directions to complete Phase I of the GDLR at the beginning of December 2010.

Appendices

Index

Appendix	Name of Appendix	Page Number
1	Consultation Response and Questions	13
2	GDLR Workgroup Membership	14
3	The Authority's Powers and Duties	15
4	Glossary	18
5	Feedback Questionnaire	20

Appendix 1 - Consultation Response and Questions

1.1. Ofgem would like to hear the views of interested parties in relation the issues set out in this document

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of chapter 3 and which are replicated below.

1.3. Responses should be received by 17th September 2010 and should be sent to:

Bimbola Ayo
Distribution Policy, Smarter Grids & Governance Division
0207 901 7184
Distributionpolicy@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Any questions on this document should, in the first instance, be directed to Bimbola Ayo.

CHAPTER 3

Question 1: Are there any additional options you would like to be included for consideration?

Question 2: Are there other implications of the various options presented which you believe have not been considered?

Question 3: Do you have a preference for any particular option? Please give reason(s) for your choice?

Question 4: Do you have any general comments or observations that you think should be taken into consideration as part of this consultation?

Appendix 2 – GDLR Workgroup Membership

1.1. To achieve the aims of the GDLR, a workgroup was established with the aim to take forward the detailed work of reviewing the licence and

1.2. The workgroup has met on two occasions and minutes of these meetings can be found on the Ofgem website.

1.3. Membership of the workgroup consists of representatives from GDNs and Ofgem. The members are:

Rachel Fletcher	Ofgem
David Ashbourne	Ofgem
John Wilson	Ofgem
Selvi Jegatheswara	Ofgem
James Veaney	Ofgem
Anna Rossington	Ofgem
Bimbola Ayo	Ofgem
Paul Hemsley	Scotia Gas Network
Nicola Shand	Scotia Gas Network
Jonathan Adams	Scotia Gas Network
Paul Rogers	National Grid
Sally Brown	National Grid
Stephanie Mais	Wales & West Utilities
Haren Thillanathan	Northern Gas Networks

Appendix 3 – The Authority’s Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute (such as the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Acts of 2004, 2008 and 2010) as well as arising from directly effective European Community legislation.

1.3. References to the Gas Act and the Electricity Act in this appendix are to Part 1 of those Acts.⁴ Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This appendix must be read accordingly.⁵

1.4. The Authority’s principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases and in the security of the supply of gas and electricity to them.

1.5. The Authority is required to carry out its functions in the manner it considers is best calculated to further the principal objective, wherever appropriate by promoting effective competition between persons engaged in, or commercial activities connected with,

- the shipping, transportation or supply of gas conveyed through pipes;
- the generation, transmission, distribution or supply of electricity;
- the provision or use of electricity interconnectors.

1.6. Before deciding to carry out its functions in a particular manner with a view to promoting competition, the Authority will have to consider the extent to which the interests of consumers would be protected by that manner of carrying out those functions and whether there is any other manner (whether or not it would promote

⁴ entitled “Gas Supply” and “Electricity Supply” respectively

⁵ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act

competition) in which the Authority could carry out those functions which would better protect those interests.

1.7. In performing these duties, the Authority must have regard to:

- the need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- the need to secure that all reasonable demands for electricity are met;
- the need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁶; and
- the need to contribute to the achievement of sustainable development.

1.8. In performing these duties, the Authority must have regard to the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas:⁷

1.9. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- promote efficiency and economy on the part of those licensed⁸ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity; and
- secure a diverse and viable long-term energy supply,
- and shall, in carrying out those functions, have regard to the effect on the environment.

1.10. In carrying out these functions the Authority must also have regard to:

- the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.11. The Authority may, in carrying out a function under the Gas Act and the Electricity Act, have regard to any interests of consumers in relation to communications services and electronic communications apparatus or to water or

⁶ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions

⁷ The Authority may have regard to other descriptions of consumers.

⁸ Or persons authorised by exemptions to carry on any activity.

sewerage services (within the meaning of the Water Industry Act 1991), which are affected by the carrying out of that function.

1.12 The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation⁹ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

⁹ Council Regulation (EC) 1/2003.

Appendix 4 - Glossary

A

Amended Standard Conditions

Standard Conditions contained in Part II of the licence that are individually modified under section 23(1)(a) of the Gas Act 1986 become Amended Standard Conditions. Amended Standard Conditions are contained in Part III of the licence. The Authority requires the consent of a licence holder before it can make, or subsequently modify, the Amended Standard Conditions.

C

Collective Licence Modification - CLM

The CLM procedure is contained in section 23(1)(b) of the Gas Act 1986. The CLM allows the Authority (subject to any objections) to modify the Standard Conditions of all Gas Transporter Licences; granted or treated as granted under section 7 of the Act. The Authority can only make modifications to the Standard Conditions if less than 20% of relevant holders object to the proposed modifications.

G

Gas Distribution Network - GDN

GDN operators are holders of a Gas Transporter Licence and are licensed to transport gas on the local gas distribution network. There are eight different GDN areas in the United Kingdom. The GDNs' Standard Special Conditions are contained in Part A (though these conditions also apply to NTS) and Part D of the licence. Their Special Conditions are contained in Part E. They also have nine Standard Conditions switched on.

I

Independent Gas Transporters - IGTs

IGTs are holders of a Gas Transporter Licence and are licensed to transport gas on the local gas distribution network. IGTs can operate in any of the eight different GDN areas in the United Kingdom. The IGTs are mainly regulated by the Standard Conditions. IGTs do not have Standard Special Conditions.

N

National Transmission System - NTS

NTS operator is the holder of a Gas Transporter Licence and is licensed to transport gas on the national transmission system. There is only one NTS in the United Kingdom. The NTS's Standard Special Conditions are contained in Part A (though these conditions also apply to GDNs) and Part B of the licence. Their Special

Conditions are contained in Part C. They also have nine Standard Conditions switched on.

P

[Private Collective Licence Modification - Private CLM](#)

The Private CLM procedures are contained in Standard Special Conditions A2, B2 and D2 and allows for the collective modification of each of the relevant Parts of the Standard Special Conditions (A2 amends Part A, B2 amends Part B and D2 amends Part D). The Authority can only make modifications to the Standard Special Conditions if less than 20% of relevant holders object to the proposed modifications.

S

[Standard Conditions](#)

The Standard Conditions are contained in Part II of the licence. IGTs are in the main, regulated by the Standards Conditions. The NTS and GDNs do have some Standard Conditions switched on but are regulated in the main by the Standard Special Conditions. Standards Conditions can be modified under the CLM (section 23(1)(b) Gas Act 1986), or individually modified with the consent of the licensee (section 23(1)(a)).

[Standard Special Conditions](#)

Standard Special Conditions are essentially Standard Conditions that were disapplied and restated in a modified format at the time of DN sales, in order to recognise the differences between and regulate the NTS and GDNs. They are contained within Parts A, B and D of Part IV of the licence and are subject the Private CLM.

[Special Conditions](#)

Special Conditions are provisions that are specific to individual licensees. The Special Conditions contain the price control provisions which set out the charges that the licensees can charge during a price control period. The Special Conditions can be individually modified under section 23(1)(a). Special Conditions will not be modified as part of the Gas Distribution Licence Review.

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

Andrew MacFaul
Consultation Co-ordinator
Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk