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Distribution Policy
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Dear Bimbola,

Gas Distribution Licence Review: Phase I – Proposals for restructuring the Gas Transporter Licence

Thank you for providing Scotia Gas Networks (SGN) with the opportunity to comment on the above consultation document. SGN supports the review of the Gas Transporters Licence and the drive to improve the clarity and ease of use of the licence. We agree that before work on detailed drafting commences consideration should be given to restructuring the licence to help separate out those elements that are specific to GDNs. This will help ensure that the review is able to focus on relevant conditions only and ensure that modification arrangements are tailored to those Transporters with an interest in the relevant licence condition.

The above consultation document sets out a number of alternative options for restructuring the licence. SGN's views on the options are given in response to the consultation questions in the Appendix attached, but in summary our preference is for Option 3.

SGN believes that Option 3 offers a simple, proportionate and clean approach to restructuring:

- It keeps changes to a minimum.
- It keeps those obligations that are common to NTS and GDNs in a common part of the licence, making it easier for users to identify common conditions.
- It ensures that both NTS and GDNs are able to vote on changes that are common to them both.
- It avoids fragmentation of common conditions which may occur if NTS and GDN conditions were set out in separate Parts of the licence.

Option 3 transfers all Standard Conditions in Part II of the Licence into Part A, B or D of Part IV:

- Conditions that are common to NTS and GDNs would be set out in Part A.
- Conditions that are relevant to NTS only would be set out in Part B and
- Conditions that are relevant to GDNs only would be set out in Part D.

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*Calls will be recorded and may be monitored

We believe this is a pragmatic solution and would help facilitate the redrafting of the Licence.

Our other main comment relates to the timescale of the project. We believe the Licence Review programme will need to be carefully managed to ensure it completes in November 2011. We would not want to see it slipping beyond this date and running in parallel with the more intensive stages of the GDPCR. This may mean that once the extent of redrafting is clearer, work may need to be prioritised or de-scoped. Any outstanding restructuring or redrafting could be picked up along with any redrafting required as a result of GDPCR2.

We hope you find these comments helpful. Should you wish to discuss them further please contact me at the above address.

Yours sincerely

Beverley Grubb
Regulation Department

Appendix I

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

We believe the Options outlined in the consultation document to be reasonable and do not feel that any other options need to be considered.

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

SGN is concerned that Option 1 would reduce transparency and result in duplication as common conditions set out in Part II would be duplicated and set out in separate parts of Part IV that would be specific to NTS or GDNs. This could also mean that over time common conditions would become fragmented as they would each be subject to their own modification arrangements.

SGN has similar concerns with regard to Option 2 as this would also result in duplication and separation of common NTS and GND conditions. The main difference with this option is that it seeks to move Standard Special Conditions set out in Part IV to Part II. This also results in changes to the modification arrangements. Whilst only relevant Transporters would be able to vote on changes to existing conditions, all Transporters would be able to vote on the implementation of new conditions even where they are not relevant to their class of Transporter. We do not believe this is appropriate.

SGN is not supportive of Option 4 which would leave the licence structure as it is.

It is not clear how and when other elements of the Gas Transporter Licence will be tackled. Whilst efforts are being made to improve clarity and ease of use of GDN elements, there should be a similar drive to tackle other aspects and ensure a consistent approach and style.

3. Do you have a preference for any particular option?

We believe Option 3 is the most practical, proportionate and equitable solution. Option 3 allows those licence conditions that are common to NTS and GDNs to remain together (in Part A of Part IV). These common conditions could then be modified through the private CLM procedures, allowing only GDNs and the NTS to vote on modifications to shared licence conditions. Conditions that are specific to NTS would be set out in Part B of Part IV and conditions that are specific to GDNs would be set out in Part D of Part IV. Only NTS would be able to vote on modifications to Part B and only GDNs would be able to vote on modifications to Part D. This option provides a more rational and coherent licence structure, retains some stability and ensures fair and equitable modification arrangements.

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

Please see comments in the covering letter regarding timescales.