

To: All holders of a gas transporter licence

RIIO-GT1 and GD1 Modifications to amend the standard conditions of the gas transporter licence and reasons for decision pursuant to section 23 and 38A of the Gas Act 1986

**Gas Act 1986
Section 23(1) (b)**

MODIFICATION OF THE STANDARD CONDITIONS OF GAS TRANSPORTER LICENCES GRANTED UNDER SECTION 7 OF THE GAS ACT 1986.

Whereas –

1. Each of the companies to whom this document is addressed (the "Licence Holder") has been granted a gas transporter licence ("the Licence") under section 7 of the Gas Act 1986 ("the Act") to convey gas through pipes subject to the conditions contained in the Licence.
2. In accordance with section 23(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 21 December 2012 ("the Notice") that it proposed to make modifications to the following standard conditions of the Licence:
 - Condition 1: Definitions and Interpretation
 - Condition 2: Application of Section C (Transportation Services Obligations)
 - Condition 13: Change Co-ordination for the Utilities Act 2000
 - Condition 28: Termination of Shipping Arrangements.(together "the Conditions") as set out in Schedule 1 to the Notice, to implement the Authority's decision on the RIIO-GT1 and GD1 price controls – Final Proposals¹ and by requiring any representations to the modifications to be made on or before 22 January 2013.
3. In accordance with section 23(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modifications.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received 2 responses. All non-confidential responses have been placed on the Ofgem website.
5. The Authority has carefully considered in relation to the proposed modifications all representations received. Its response to those representations is attached at Schedule 2 to this modification.
6. The Authority also considers it necessary to make a number of minor changes to the modifications set out in the Notice. These are indicated in Schedule 2 attached to this modification.
7. In accordance with section 23(7) (d) of the Act, Schedule 2 of this modification also states the reasons for any differences between the proposed modifications set out in the Notice and the modifications set out in the attached Schedule 1.

¹ [RIIO-T1 : Final Proposals for National Grid Electricity Transmission and National Grid Gas](#) and [RIIO-GD1: Final Proposals - Overview](#)

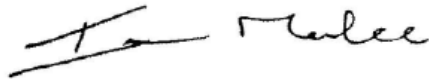
8. In accordance with section 38A of the Act and in summary, the reason why the Authority is making these licence modifications is to give effect to the new RIIO (Revenue = Incentives + Innovation = Outputs) regulatory framework.
9. Schedule 3 of this modification sets out the reasons and effect of the modifications.
10. Schedule 4 of this modification provides a list of relevant licence holders in relation to this modification.

Now therefore

In accordance with the powers contained in section 23(1) (b) of the Act and for the reasons set out in the Notice and Schedule 2 of this modification, the Authority hereby modifies the Conditions in the manner specified in attached Schedule 1. This decision will take effect on and from 1 April 2013.

This document constitutes notice of the reasons for the decision to modify the gas transporter licences as required by 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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**Ian Marlee, Senior Partner Smarter Grids and Governance (transmission)
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

1 February 2013

Schedule 1 - Modifications of the standard conditions of the gas transporter licence

A copy of the modifications of the standard conditions of the gas transporter licence can be found on Ofgem's website at:

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/GasSCmods.pdf>

Schedule 2 – Response to representations and reasons for differences between the modifications and those set out in the Notice

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
Standard Condition 1: Definitions and Interpretation				
NGGD and NGGT	Throughout	We cannot understand why the Authority is proposing to make modifications to the provisions of Standard Condition 1 as the vast majority of the standard conditions of gas transporter licences are “switched off” in the licences of DN Operators and the NTS Operator. The relevant defined terms for the NTS Operator and DN Operators are set out in Standard Special Condition A3 (Definitions and Interpretation) of the Licences of the NTS Operator and DN Operators. If the changes are implemented, they will have no impact on the conditions in the NTS Operator’s licence or those of DN Operators, since the defined terms in the relevant parts of those licences are governed by the defined terms in Standard Special Condition A3 (Definitions and Interpretation) of those licences.	<p>Agree and have removed changes with respect to definition of :</p> <p>“alternative accounting rules” “code modification rules” “code relevant objectives” “current cost assets” “first supplier”</p> <p>As these are applicable to independent Gas Transporters (iGTs) only</p> <p>However, with respect to definitions of:</p> <p>“affiliate” “holding company” “subsidiary”</p> <p>we consider it appropriate to take this opportunity implement the modifications to update outdated references.</p> <p>Defined terms changed to lower case to preserve consistency with other defined terms within this condition</p>	Yes

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
Standard Condition 2: Application of Section C (Transportation Services Obligations)				
NGGD and NGGT	Paragraph 1	Typo – Delete additional/unnecessary full stop after sub-paragraph 2(b).	additional comma, not full stop - deleted	Yes
NGGD and NGGT	Paragraph 5(b)	For consistency, the expression “Transportation Services Area” should remain lower case as is lower case in the schedule to the licence.	Agree - defined terms changed to lower case to preserve consistency with other defined terms	Yes
Standard Condition 28 : Termination of Shipping Arrangements				
NGGD and NGGT	Throughout	<p>The following terms should remain in lower case in this condition (especially as no proposal has been brought forward to change the capitalisation of these terms in condition 1):</p> <ul style="list-style-type: none"> - “relevant shipper”; - “gas”; - “licensee’s pipeline system”; - “secondary sub-deduct premises”. <p>By contrast, if the authority is to seek to direct a change to capitalise the expression “Old Arrangements” (see paragraph 2(a), then this must be carried forward consistently and the same expression used in upper case wherever it is used in this condition (see paragraph 2(c) where it is used in lower case).</p> <p>Suggestion: Use all defined terms in lower case except “Old Arrangements”.</p>	Agree – changed definition in this condition (including the “old arrangements”) to lower case to preserve consistency with other defined terms	Yes

Schedule 3 - Reasons and effect of modifications to the Standard Conditions of the gas transporter licence

Standard Condition	Reasons for modification	Effect of modification
1: Definitions and Interpretation	Consequential changes required as a result of licence changes and to update out of date references to licence conditions and legislation.	Provides up to date and accurate references to definitions.
2: Application of Section C (Transportation Services Obligations)	We have identified the need to update references to certain events which have now occurred.	Corrects out of date references.
13: Change Co-ordination for the Utilities Act 2000	We are removing this condition because it relates to obligations on licensees to secure and implement provisions of the Utilities Act, which have been discharged.	Deletes an out of date and redundant licence condition from the licence.
28: Termination of Shipping Arrangements	Current text suggests that the meaning of 'a pipe-line system emergency' 'is set out in SLC 16 of the gas suppliers licence. This is not the case. Paragraph 16.1 of SLC 16 of the gas suppliers' licence describes the circumstances that may constitute a gas safety or security situation. We have made a small amendment to the condition to make this clear.	Provides clarification.

Schedule 4 – List of relevant licence holders

National Grid Gas Plc	1-3 Strand, London, WC2N 5EH, Great Britain
Northern Gas Networks Limited	1100 Century Way, Thorpe Park Business Park, Colton, Leeds, LS15 8TU, Great Britain
Scotland Gas Networks Plc	Axis House, 5 Lonehead Drive, Newbridge, Edinburgh, EH28 8TG, Great Britain
Southern Gas Networks Plc	St Lawrence House, Station Approach, Horley, Surrey, RH6 9HJ, Great Britain
Wales & West Utilities Limited	Wales and West House, Spooner Close, Coedkernew, Newport, South Wales, NP10 8FZ, Great Britain
British Gas Pipelines Limited	Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, Great Britain
Energetics Gas Limited	International House, Stanley Boulevard, Hamilton International Technology Park, Glasgow, South Lanarkshire, G72 0BN, Great Britain
ES Pipelines Limited	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
ESP Connections Limited	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
ESP Networks Limited	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
ESP Pipelines Limited	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
Fulcrum Pipelines Limited	5th Floor, 6 St. Andrew Street, London, EC4A 3AE, Great Britain
GTC Pipelines Limited	Energy House, Woolpit Business Park, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP, Great Britain
Independent Pipelines Limited	Driscoll 2, Ellen Street, Cardiff, CF10 4BP, Great Britain
Quadrant Pipelines Limited	Driscoll 2, Ellen Street, Cardiff, CF10 4BP, Great Britain
SSE Pipelines Limited	55 Vastern Road, Reading, RG1 8BU, Great Britain
The Gas Transportation Company Limited	The Energy Centre, Admiral Park, St Peter Port, Guernsey Islands, GY1 3TB, Channel Islands

Utility Grid Installations Limited	Energy House, Woolpit Business Park, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP, Great Britain
Caythorpe Gas Storage Limited	Venture House, 42-54 London Road, Staines, Middlesex, TW18 4HF, Great Britain
Greenpark Energy Transportation Limited	1 London Wall, London, EC2Y 5AB, Great Britain
Humbly Grove Energy Services Limited	3 More London Riverside, London, SE1 2AQ, Great Britain
INEOS Enterprises Limited	Runcorn Site HQ, South Parade, Runcorn, Cheshire, WA7 4JE, Great Britain
LNG Portable Pipeline Services Limited	Cadarache, Bere Court, Pangbourne, Reading, RG8 8HT, Great Britain
Severn Gas Transportation Limited	Uskmouth Power Station, West Nash Road, Nash, Newport, NP18 2BZ, Great Britain
SP Gas Transportation Cockenzie Limited	5th Floor, 1 Atlantic Quay, Robertson Street, Glasgow, G2 8SP, Great Britain
SP Gas Transportation Hatfield Limited	5th Floor, 1 Atlantic Quay, Robertson Street, Glasgow, G2 8SP, Great Britain
WINGAS Storage UK Limited	Building 3, Chiswick Business Park, 566 Chiswick High Road, London, W4 5YA, Great Britain
Wyre Gas Transportation Limited	Ground Floor Tuscan House, 5 Beck Court, Cardiff Gate Business Park, CARDIFF, CF23 8RP, Great Britain