

**To: National Grid Gas plc (with respect to its transmission business)
National Grid Gas plc (with respect to its distribution business)
Northern Gas Networks Limited
Southern Gas Networks plc
Scotland Gas Networks plc
Wales and West Utilities Limited**

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

**MODIFICATION OF THE STANDARD SPECIAL 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 (a “Licence Holder”) is the holder of a gas transporter licence (“the Licence”) granted or treated as granted under section 7 of the Gas Act 1986 (“the Act”).

2. In accordance with section 23(2) of the Act the Gas and Electricity Markets Authority (“the Authority”) gave notice on 27 March 2013 (“the Notice”) that it proposed to make modifications to the following condition of the Licence and requiring any representations to the modifications to be made on or before 26 April 2013:

- Standard Special Condition A11: Network Code and Uniform Network Code

3. In accordance with section 23(4)(b)(ii) of the Act, the Authority gave 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 in the Ofgem library and on the Ofgem website.

5. The Authority has carefully considered all representations received in relation to the proposed modifications.

6. The reasons for making the licence modifications are to give effect to the Code Governance Review (Phase 2) final proposals as set out in the following document:

[Code Governance Review \(Phase 2\) final proposals: Ref 45/13](#)

7. The effect of the modifications will be to implement the Code Governance Review (Phase 2) final proposals into the governance procedures of the Uniform Network Code.

8. Specific details on the reasons and effect of the modifications can be found in the attached Schedule 2.

9. The Authority considers it necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are highlighted in red in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications set out in Schedule 1 are to correct typographical

and/or grammatical issues and to add clarity to the drafting. Specific details on the reasons for any differences are set out in the following document:

[Modification of gas and electricity licences to implement Code Governance Review \(Phase 2\) final proposals: Ref 87/13](#)

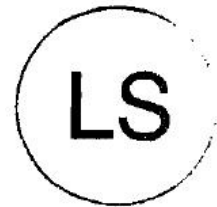
10. Where an application for permission to appeal the Authority's decision is made to the Competition Commission under section 23B of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeals Rules requires the appellant to send notice setting out the matters required in Rule 5.2. The attached Schedule 3 provides a list of the relevant licence holders in relation to this modification. The meaning of 'relevant licence holder' is set out in section 23(10) of the Act.

Now therefore

In accordance with the powers contained in section 23(1)(a) of the Act, the Authority hereby modifies the standard licence conditions for all gas transporter licences in the manner specified in the attached Schedule 1. This decision will take effect on and from 5 August 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



.....

**Declan Tomany
Associate Partner Legal - Smarter Grids & Governance
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

7 June 2013

**Schedule 1 – Modifications to the standard special conditions in
Part A of the gas transporter licence**

Standard Special Condition A11: Network Code and Uniform Network Code

[Insert or amend the following text as indicated:]

Network Code Modification Procedures

9. The network code modification procedures shall provide for:

...

(b)(i) the making of proposals for the modification of the uniform network code in accordance with paragraph 10(a), 10(aa), 10(ab), ~~and~~ 15D and 15G of this condition;

...

(da) proper evaluation of the suitability of the significant code review, ~~or~~ self-governance route ~~or fast track self-governance route~~ for a particular modification proposal;

(db) the implementation of modification proposals without the Authority's approval in accordance with paragraph 15G (the "fast track self-governance route"):

(e) except in respect of proposals falling within the scope of paragraph 15D and paragraph 15G, the seeking of the views of the Authority on any matter connected with any such proposal;

...

Modification of Network Code and Uniform Network Code

13. The licensee shall not make any modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) or make or permit any modification to the uniform network code except:

(a) to comply with paragraphs 15(b) or 16;

(b) with the written consent of the Authority; ~~or~~

(c) in accordance with paragraph 15D (the "self-governance route") and 15F; or

(d) in accordance with paragraph 15G ("the fast track self-governance route")

and shall furnish or cause to be furnished to the Authority a copy of any such modification made.

...

15. Where a proposal is made in accordance with the network code modification procedures to modify the network code prepared by or on behalf of the licensee, (excluding the terms of the uniform network code incorporated within it) or the uniform network code (except in the case of a modification falling within the scope of paragraph 15G) the licensee shall unless, in the case of a proposal falling within the scope of paragraph 15D, otherwise directed by the Authority:

- (a) as soon as is reasonably practicable in accordance with the time periods specified in the uniform network code, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice, give notice to the Authority:
 - (i) giving particulars of the proposal;
 - (ii) where an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;
 - (iii) giving particulars of any representations by:
 - (aa) the licensee,
 - (bb) any other relevant gas transporter,
 - (cc) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification,
 - (dd) in respect of modifications to a network code (excluding the terms of the uniform network code incorporated within it) only, a DN operator with whom the licensee has entered into transportation arrangements in respect of the pipe-line system to which this licence relates, or
 - (ee) any other person with respect to those proposals;
 - (iv) including a recommendation (or, in the case of a proposal falling within the scope of paragraph 15D, a determination) by the panel as to whether any proposed modification should or should not be made, and the factors which (in the opinion of the panel) justify the making or not making of a proposed modification, which shall include:
 - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and
 - (bb) where the impact is likely to be material, the evaluation of the proposed modification in respect of the relevant objectives shall include an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time; and
 - (v) giving such further information as may be required to be given to the Authority by the network code modification procedures; and
- (b) without prejudice to paragraph 15D comply with any direction of the Authority
 - (i) to make a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under paragraph 15(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or

- (ii) to revise and re-submit a notice provided in accordance with paragraph 15(a) to reflect the additional steps (including drafting or amending existing drafting of the amendment to the uniform network code), revisions (including timetable revisions), analysis or additional information specified in the direction to enable the Authority to form such an opinion in accordance with paragraph 15(b)(i) as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification).

... [After 15F:]

15G. The ~~procedures for the modification of the~~ network code ~~modification procedures~~ shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 15G (the "fast track self-governance route") where:

- (a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;
- (b) the panel unanimously determines that the modification should be made;
- (c) parties to the uniform network code and the Authority have been notified of the proposed modification;
- (d) none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast-track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
- (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

...

23A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and shall create or modify industry documents including, but not limited to, the uniform network code and industry codes where necessary no later than 31 December 2010~~3~~.

24. (a) In this condition:

...

[Insert the following text after 'directions':]

"fast track self-governance criteria"

means ~~that~~ a proposal ~~that~~, if implemented,

- (a) would meet the self-governance criteria;
and

(b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:

(i) updating names or addresses listed in the uniform network code;

(ii) correcting minor typographical errors;

(iii) correcting formatting and consistency errors, such as paragraph numbering; or

(iv) updating out of date references to other documents or paragraphs.

Schedule 2 – Reasons and effect of modifications to the standard special conditions in Part A of the gas transporter licence

Standard Special Condition	Reasons for proposed modification	Effect of proposed modification
A11: Network Code and Uniform Network Code	<p>To implement the Code Governance Review phase 2, Final Proposals:</p> <ul style="list-style-type: none"> • To enable a 'fast track' self-governance process. 	<ul style="list-style-type: none"> • Extends the scope of existing self-governance provisions to enable a more efficient process for 'housekeeping' modifications.

Schedule 3 – Relevant licence holders

National Grid Gas Plc (with respect to its transmission and distribution businesses)
Northern Gas Networks Limited
Scotland Gas Networks Plc
Southern Gas Networks Plc
Wales & West Utilities Limited