

## **Appendix**

**To: all holders of a gas transporters licence**

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

#### **MODIFICATION PURSUANT TO SECTION 23 OF THE GAS ACT 1986 OF THE STANDARD CONDITIONS OF THE GAS TRANSPORTERS LICENCE GRANTED OR TREATED AS GRANTED UNDER SECTION 7(2) OF THE GAS ACT 1986.**

Whereas –

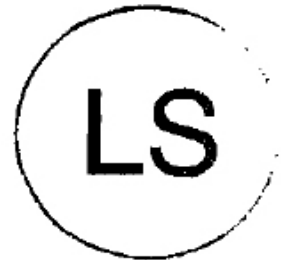
1. Each of the companies to whom this modification is addressed holds a gas transporters licence (a Licence) granted, or treated as granted, pursuant to section 7(2) of the Gas Act 1986 (the Act).
2. In accordance with section 23(2) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice on 4 December 2014 (the Notice) that it proposed to amend standard condition 11(Agency) of the Licence.
3. The Notice required any objections or representations to the modification to be made on or before 9 January 2015.
4. In accordance with section 38A of the Act, the reasons for making the licence modification are set out in the Notice, in summary being to improve efficiency and standards of service in the provision of supply point administration arrangements such as the customer switching process, which underpin the competitive gas market.
5. The effect of the modifications is to require that the independent Gas Transporters procure certain services and systems through a common Agent, and to set out the methodology for determining the maximum contribution each licensee shall make to the funding of such an Agent.
6. The Authority received nine responses to the Notice, all of which supported the licence modification, including three from gas transporters, two of whom are independent gas transporters. The Authority has considered the responses made in relation to the proposed licence modifications.
7. The Authority considers it necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in red in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to correct minor typographical errors.
8. In accordance with section 23(4)(b) of the Act, the Authority sent a copy of the Notice to the Secretary of State. The Authority has not received a direction not to make the modifications from the Secretary of State.
9. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority (the CMA) under section 23B of the Act, Rule 5.7

of the CMA's Energy Licence Modification Appeal Rules<sup>1</sup> requires that the appellant send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification direction. 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 of the Act, the Authority hereby modifies the standard conditions of the Gas Transporters Licence in the manner specified in the attached Schedule 1. This modification will take effect on 12 March 2015.

**The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:**



.....  
**Rob Church**

**Partner, Retail Markets**

Duly authorised on behalf of the Gas and Electricity Markets Authority

**14 January 2015**

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<sup>1</sup>The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the Competition and Markets Authority (CMA).

## Schedule 1

### Standard Condition 11: (Agency)

1. This Standard Condition 11 (Agency) applies to all relevant licensees.
2. The relevant licensee shall, together with the other relevant gas transporters, by the 1 October 2015 (unless the Authority consents otherwise in writing), have entered into an agency services agreement ("**AS agreement**") with the other relevant gas transporters providing for the common provision of services and systems by the agency (as defined in paragraph 4 below) of such services and systems, the scope of which are set out within the uniform network code.
3. The relevant licensee shall, together with other relevant gas transporters procure, or cause to be procured:
  - (a) that the Authority is provided with a copy of the AS agreement and each amendment thereof; and
  - (b) the publication of the AS agreement as modified from time to time, with the exception of any information agreed in writing as being confidential by the Authority.
4. Where services and systems are sub-contracted to a common service provider (the "**agency**") by all relevant gas transporters including the relevant licensee (unless the Authority has otherwise consented pursuant to paragraph 6), the scope of such sub-contracting arrangements (except in respect of the methodology) shall be set out in the uniform network code, and the agency and the agreement referenced in paragraph 2 shall, without limitation, be based on the following principles:
  - (a) such services and systems shall be established, operated and developed on an economic and efficient basis;
  - (b) the costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being within the scope of the agency, are separately assessed and reported; and
  - (c) the costs of the agency shall be allocated on a transparent basis.
5. Where services and systems are to be provided pursuant to the uniform network code by the agency, the relevant licensee shall, together with other relevant gas transporters, ensure that all such services and systems are provided or otherwise procured (including without limitation on a sub contracted basis) on a common basis pursuant to the AS agreement.
6. In respect of the services and systems to be provided by the agency under paragraphs 4 and 5 of this condition, the relevant licensee shall be under an obligation to use or procure the use of such services and systems from the agency and shall not elect either expressly or by its conduct not to use nor to procure the use of the agency as the provider of such services and systems without the prior written consent of the Authority, as may be provided under Standard Condition 9 (Network Code and Uniform Network Code).

### ***Agency Services Funding***

7. For each relevant year, the relevant licensee will contribute no more than the amount determined to have been allowed under Special Condition 1 (Charging of Gas Shippers – Relative Price Control) for the activities to be carried out by the agency as may be set out in the methodology. Such contribution will be made for each supply point connected to the relevant licensee's pipe-line system regardless of whether the supply point is subject to charging arrangements under Special Condition 1 (Charging of Gas Shippers – Relative Price Control) or otherwise.
8. Notwithstanding the provisions of paragraph 7, the relevant licensee's contribution for each connected supply point shall be the lesser of;
  - a) the amount determined by the methodology; and
  - b) the relevant charge set out in a charging statement produced by the agency, as may be revised from time to time.
9. In this condition:

"methodology"	means, for the purposes of this condition, the methodology, titled "iGT Agency Services: iGT contribution methodology", as may be published from time to time by the Authority, for the purposes of determining the relevant licensee's contribution for agency services.
"relevant licensee"	means, for the purposes of this condition, a licensee to whom Standard Condition 9 (Network Code and Uniform Network Code) is in effect.
"relevant year"	means, for the purposes of this condition, a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

## **Schedule 2- Relevant Licence Holders**

Energetics Gas Limited  
ES Pipelines Limited  
ESP Connections Limited  
ESP Networks Limited  
ESP Pipelines Limited  
Fulcrum Pipelines Limited  
GTC Pipelines Limited  
Independent Pipelines Limited  
Indigo Pipelines Limited  
Quadrant Pipelines Limited