

**To: National Grid Gas plc (Company Number: 02006000)  
Northern Gas Networks Limited (Company Number: 05167070)  
Scotland Gas Networks plc (Company Number: SC264065)  
Southern Gas Networks plc (Company Number: 05167021)  
Wales and West Utilities Limited (Company Number: 05046791)**

"the Licensees"

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

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

Whereas -

1. Each of the companies to whom this decision is addressed (the Licensee) 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 17 December 2014 (the Notice) that it proposed to modify Standard Special Condition A55 (Data Assurance requirements) of the Licence and by requiring any representations to the modification to be made on or before 21 January 2015.
3. In accordance with section 23(4)(b) of the Act, the Authority gave notice of its intention to make the modification to the Secretary of State on 17 December 2014 and has not received a direction not to make the modification.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received one response, which has been published on the Ofgem website<sup>1</sup>. Our response to this comment is set out in our decision letter to the consultation on the Data Assurance Guidance, which accompanies this decision<sup>2</sup>. It is also summarised at Appendix 3.
5. The Authority has carefully considered the representation received in relation to the proposed modification.
6. In accordance with section 38A of the Act, the Authority gives the following reasons for making the licence modification. The changes will enable the Authority to require Licensees to report, for data assurance purposes, on an annual cycle that commences on the 1 March in each year and ends on the 28 February (or 29 February in a leap year) in the following year.
7. The effect of the modification will be to amend the permitted scope of the "Data Assurance Guidance" (to be issued pursuant to Standard Special Condition A55 of

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<sup>1</sup> [statutory consultation on the DAG](#)

<sup>2</sup> [Hyperlink to dag decision letter](#)

the Gas Transporter Licence) so that it may specify the time period(s) to which required reports relate.

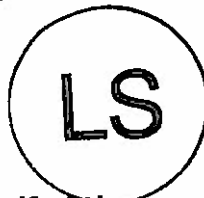
8. No further changes have been made to the modifications set out in the Notice.
9. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules<sup>3</sup> requires that the appellant must 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 Appendix 2 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 gas transporter licence held by the Licensees in the manner specified in attached Appendix 1. This decision will take effect on and from 1 April 2015.

This document constitutes notice of the reasons for the decision to modify the gas transporter licence held by the Licensees 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**



.....  
**Paul Branston, Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

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<sup>3</sup> The rules were originally published by the Competition Commission in September 2012 and has been adopted by the CMA Board. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

## **Appendix 1: Modifications to Standard Special Condition A55. Data Assurance requirements**

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### **Introduction**

1. This condition requires the licensee to undertake processes and activities for the purpose of reducing the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.
2. This condition comes into effect in this licence on the earlier of:
  - (a) the date on which a data assurance direction in accordance with the provisions of Part B below has effect; and
  - (b) 1 April 2015.

### **Part A: Licensee's obligations under this condition**

3. The licensee must:
  - (a) comply with the provisions of the Data Assurance Guidance ("the DAG"), being a document that will be incorporated into this licence condition by way of licence modification, the scope and contents of which are set out in Part C of this condition, as if it were a condition of this licence;
  - (b) subject to paragraph 4, where required to provide data under the provisions of this licence, provide accurate and complete Data;
  - (c) carry out a risk assessment in accordance with such provisions and timescales as are specified for that purpose in the DAG, and ensure that it has used its best endeavours to mitigate such risks as it has identified in that assessment;
  - (d) if directed by the Authority, procure an independent review of its data assurance activities in accordance with such provisions and timescales as are specified for that purpose in the DAG; and
  - (e) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the DAG, reports that variously contain:

- (i) the results of the licensee's risk assessment;
  - (ii) a description of the data assurance activities that the licensee intends to undertake concerning expected future data submissions for the for the coming financial year to mitigate the risks identifiedrelevant reporting period set out in that assessmentthe DAG;
  - (iii) a description of the data assurance activities undertaken by the licensee concerning data previously submitted data for the preceding financial yearrelevant reporting period set out in the DAG; and
  - (iv) if required, the details and results of the independent review procured by the licensee of its data assurance activities.
4. Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition.
5. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 3.
6. The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific data assurance activity in accordance with the provisions of Part E.

**Part B: Requirement for consultation before giving a direction**

7. A data assurance direction is of no effect unless, before issuing it, the Authority has first:
- (a) given notice to all licensees in whose licence this condition has effect that it proposes to issue the direction:
    - (i) specifying the date on which it proposes that it should have effect;
    - (ii) setting out the text of the direction and the Authority's reasons for proposing to issue it; and
    - (iii) specifying the time (which must not be a period of less than 28 days from the date of the notice) within which representations or objections with respect to the proposal may be made; and
  - (b) considered any representations or objections in response to the notice that are duly made and not withdrawn.

**Part C: Scope and contents of the data assurance guidance**

8. The DAG may from time to time be revised by the Authority under Part D of this condition.
9. The purpose of the DAG is to establish a process under which the licensee must comply with its obligations as set out in paragraph 3 (b) to (e).
10. Subject to paragraphs 12 and 13, the DAG may include, or make provision for, any of the following matters:
  - (a) the data to which the risk assessment applies;
  - (b) the format of the risk assessment;
  - (c) the frequency with which and the timescales within which the risk assessment is required to be carried out;
  - (d) the format of any independent review that may be required of the licensee's data assurance activities and the associated reporting requirements;
  - (e) the format of the reporting requirements detailed in paragraph 3(e); ~~and~~
  - (f) the frequency with which and the timescales within which the Licensee should report on its data assurance activities to the Authority; and
  - (g) the time period(s) to which required reports relate.
11. Reference in paragraph 10 to the format of an assessment, review, or reporting requirement includes references to its form, layout, scope and content.
12. The provisions of the DAG must not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions and the impact on consumers of data reporting errors.
13. No information to be provided to the Authority under or pursuant to the requirements of the DAG may exceed what could be requested from the licensee by the Authority pursuant to Standard Special Condition A26 (Provision of information to the Authority).

**Part D: Modification of data assurance guidance**

14. The DAG may be modified by the Authority from time to time by direction.

15. A direction issued by the Authority under paragraph 14 is of no effect unless the Authority has first:

- (a) given notice to all licensees in whose licence this condition has effect that it proposes to modify the DAG:
  - (i) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
  - (ii) setting out the text of the DAG to be modified and the Authority's reasons for proposing to modify it;
  - (iii) specifying the time (which must not be less than a period of 28 days from the date of the notice) within which representations concerning such proposals may be made; and
- (b) considered any representations in response to the notice that are duly made and not withdrawn.

**Part E: Authority's power to specify data assurance activity**

16. The Authority may, after consulting with the licensee, issue a direction, in accordance with the provisions of paragraph 17, requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such data assurance activity as may be specified in the direction.

17. The requirements for the direction under paragraph 16 are that it must:

- (a) contain a description of the data assurance activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of ensuring the accuracy and completeness of data provided to the Authority;
- (b) if it refers to a person nominated by the Authority, specify the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;
- (c) contain a description of the data to which the activity that is described in the direction must apply;

- (d) contain an explanation of why the Authority requires the licensee to carry out that activity;
- (e) specify any relevant dates by which that activity must be completed; and
- (f) specify the form and content of any information relating to that activity that the licensee must provide to the Authority.

**Part F: Derogations**

18. The Authority may, after consulting with the licensee, give a direction ("derogation") to the licensee that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

**Part G: Interpretation**

19. For the purposes of this condition:

<b>data</b>	means the relevant submissions to the Authority under this licence in respect of which the licensee must carry out a risk assessment, as specified in the DAG;
<b>data assurance activity</b>	means, in respect of data, the activity undertaken by the licensee (or a person nominated by the Authority, as the case may be) to address the risks identified in the risk assessment;
<b>data assurance direction</b>	means a direction by the Authority to bring into effect this condition; and
<b>risk assessment</b>	means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority under this licence.

## **Appendix 2: Relevant Licence Holders**

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### **Gas Transporter**

#### **Distribution Network operators (DNs) and Retained DN**

<b>Company Group</b>	<b>Licensee</b>	<b>Company number</b>	<b>Licence Type</b>
National Grid plc	National Grid Gas Plc	2006000	Gas Transporter
Cheung Kong Group <sup>4</sup>	Northern Gas Networks Limited	5167070	Gas Transporter
	Wales & West Utilities Limited	5046791	Gas Transporter
Scotia Gas Networks Limited	Scotland Gas Networks Plc	SC264065	Gas Transporter
	Southern Gas Networks Plc	5167021	Gas Transporter

#### **National Transmission System (NTS) operator**

<b>Company Group</b>	<b>Licensee</b>	<b>Company number</b>	<b>Licence Type</b>
National Grid plc	National Grid Gas Plc	2006000	Gas Transporter

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<sup>4</sup> Northern Gas Networks Limited and Wales and West Utilities Ltd are required to report separately.



### **Appendix 3: Summary of responses**

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- NGN commented that the term “DAG reporting year” adds to the fog of bureaucracy.

*Ofgem response:*

We do not agree on that the term DAG reporting year creates any lack of clarity or bureaucracy. We held a long consultation period and dialogue with licensees on this issue, and we believe that it was widely agreed that this was the best option.

