

**To: National Grid Gas plc (with respect to its gas distribution networks)  
(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 GAS TRANSPORTER LICENCE HELD BY THE LICENSEES**

Whereas –

1. Each of the licensees 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 14 April 2015 (the Notice) that it proposed to modify Special Condition 1A.4 (Restriction of revenue in respect of the Distribution Network Transportation Activity: definitions) of the Licence and required any representations in respect of the modification to be made on or before 4 June 2015.
3. In accordance with section 23(4)(b) of the Act, the Authority gave notice that it proposed to make the modification to the Secretary of State on 14 April 2015. The Authority has not received a direction to not make the modification.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received five responses. All non-confidential responses have been placed on the Ofgem website. The Authority’s response to these comments is set out in the letter<sup>1</sup> accompanying this Notice.
5. The Authority has carefully considered all responses received in relation to the proposed modification.
6. The Authority gives the following reasons for making the licence modification: that it considers the modification to be the most appropriate way to facilitate the implementation of certain aspects of the EU Network Code<sup>2</sup> on Capacity Allocation Mechanisms in Gas Transmission Systems<sup>3</sup> (CAM) and the EU Network Code on

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<sup>1</sup> ‘Licence modifications to gas licences under Section 23 of the Gas Act 1986 to ensure Great Britain’s (GB’s) compliance with the European Union legislative definition of gas day’ (12 June 2015), available at: [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>2</sup> The EU Network Codes are a number of legally binding EU Regulations made under the package of EU legislation on European gas and electricity markets that is referred to as the Third Package.

<sup>3</sup> Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:273:0005:0017:EN:PDF>.

Balancing of Gas Transmission Networks<sup>4</sup> (BAL). More information on the reason and effects of the licence modification is set out in our accompanying letter to this Notice, in our statutory consultation dated 14 April 2015<sup>5</sup> and in our open letter consultation dated 28 July 2014.<sup>6</sup>

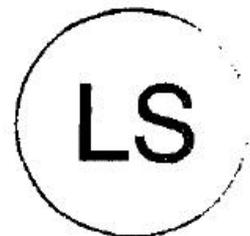
7. The effect of the modification will be to amend the definition of "Formula Year" to change the start time stated in the definition from 6am on 1 April to 5am on 1 April starting from 1 April 2016. This change will align the definition with the times of the "gas day" as defined in the above EU Network Codes.
8. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority under section 23B of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules<sup>7</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 Schedule 2 provides a list of the relevant licence holders in relation to this modification notice. 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 licences of the licensees in the manner specified in attached Schedule 1. This decision will take effect on and from 1 October 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**  
**Associate Partner, Gas Networks**  
**duly authorised on behalf of the Gas and Electricity Markets Authority**

**[12 June 2015]**

<sup>4</sup> Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0312&rid=1>.

<sup>5</sup> "Statutory consultation on proposed licence modifications to ensure Great Britain's ("GB's") compliance with the European Union legislative definition of gas day" (14 April 2015) available on our website:

<https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-licence-modifications-ensure-gb-compliance-eu-legislative-definition-gas-day>

<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/consultation-modification-legislation-and-licences-comply-eu-legislative-definition-gas-day>.

<sup>7</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). The Competition Commission rules have been adopted by the CMA Board.

## **Schedule 1 – Licence drafting Special Conditions of the gas transporter licence**

### **Special Condition 1A.4 (Restriction of revenue in respect of the Distribution Network Transportation Activity: definitions)**

Formula Year means a period of twelve months commencing on 1 April. ~~at 06:00 hours;~~ The first such Formula Year (t=1)—commenced on 1 April 2013 at 06:00 hours; from 1 April 2016, Formula Years will commence at 05:00 hours;

## **Schedule 2 – Relevant Licence Holders<sup>8</sup>**

**National Grid Gas plc**

**Northern Gas Networks Limited**

**Scotland Gas Networks plc**

**Southern Gas Networks plc**

**Wales and West Utilities Limited**

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<sup>8</sup> Gas licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-gas-licensees-registered-addresses>