

Mick Watson  
Ofgem  
9 Millbank  
London  
SW1P 3GE

14 December 2015

Dear Mick,

Re: Consultation on changes to Standard Special Condition A15 (Agency) of the Gas Transporters Licence

Thank you for the opportunity to respond to your draft of A15 (Agency) resulting from the work of the Funding, Governance and Ownership (FGO) working groups. Northern Gas Networks (NGN) has been actively involved throughout this work and continues to engage with the various streams of work which are progressing the new arrangements.

Broadly speaking, the revised draft meets with the expectations in terms of matching to planned delivery of the new arrangements in a phased manner. The Gas Transporters (GTs) are already working on the newly raised Uniform Network Code (UNC) Modification 0565 which seeks to realign UNC arrangements to compliment new corporate governance, contractual and licence requirements.

We believe that Part A of the proposed new A15A meets with the current activity and is being progressed by GTs in advance of the revised Licence arrangement coming into force for the transitional year.

Overall, Part B of the proposed A15A facilitates GTs putting in place enduring arrangements that will enable the wider industry to take a more active and inclusive role in the day-to-day operation of the CDSP.

Part C facilitates an enduring Authority appeal for budgetary matters and it was anticipated that the GTs would retain special rights as shareholders for only this activity. The recent addition of an obligation for GTs to maintain oversight of the charging methodology through paragraphs 20 to 22 is not consistent with the desire to move more accountability and control to the wider Users of CDSP services and we do not believe there is a clear rationale for this. We believe that the obligations in respect of provision of the initial charging methodology and associated charging statement is correctly assigned to the GTs in Part B of the licence, but that further evolution of the methodology should become a community matter that can be addressed through the appropriate corporate governance and contract management routes. For GTs to retain overarching obligations in this area we will need to reserve further powers as shareholders to potentially override board arrangements to ensure that we are able to effectively discharge these obligations.

In addition to A15A, we have also raised through previous consultations consequential impacts on other Licence conditions that may be impacted by these changes. Our letter of 9 April 2015 sets out four areas

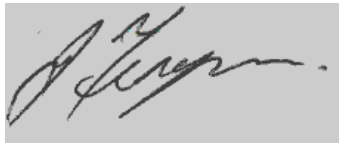
that directly reference the existing A15 condition and it is important that these are reviewed to ensure their ongoing accuracy. The main elements are:

- A12 1(a) (iii) – administration of implementation to be consistent with A15
- A14 (b) – availability of file formats to be through Agency
- A31 1 – use of Agency for provision of Supply Point Information Service
- A48 16 – supplier of last resort arrangements to be administered through the Agency

We believe that these matters, while not material to the overall FGO implementation, do need to be reviewed and amended as appropriate to ensure the overall integrity of the GT Licence.

I hope you find these comments useful and please contact me should you require further information.

Yours sincerely,



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Network Codes Manager

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