

To: National Grid Gas plc

**Gas Act 1986
Section 23(2)**

Notice of statutory consultation on a proposal to modify the Standard Special Conditions and the Special Conditions of the gas transporter licence held by National Grid Gas plc (NGG) in respect of the National Transmission System (NTS)

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the Standard Special Conditions of the NGG (NTS) gas transporter licence held by NGG granted or treated as granted under section 7 of the Gas Act 1986 by adding new Standard Special Conditions B6 to B12, in the manner set out in Schedule A to this Notice.
2. The Authority further proposes to modify the Special Conditions of the NGG (NTS) gas transporter licence held by NGG granted or treated as granted under section 7 of the Gas Act 1986 by adding new Special Conditions 11G and 11H, in the manner set out in Schedule B to this Notice.
3. We are proposing these modifications because NGG is seeking to transfer its gas distribution assets and distribution network (DN) licence to a new legal entity ahead of selling a majority stake in its gas distribution business.
4. The effect of these proposed modifications is to provide us with the ability to introduce a Backstop Meter Provider of Last Resort (BMPOLR) obligation, which currently resides in NGG (DN)'s gas transporter licence, into NGG (NTS)'s gas transporter licence. The BMPOLR obligation itself would not be in effect in NGG (NTS)'s gas transporter licence unless we issue a direction to bring it into effect. Further details are provided in a letter published alongside this Notice.
5. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively they are available from our Research and Information Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003).
6. Any representations with respect to the proposed licence modifications must be made on or before 31 May 2016 to: Rupika Madhura, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to NGGD.Separation@ofgem.gov.uk.
7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
8. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

Signature of SP



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Maxine Frerk
Duly authorised on behalf of the
Gas and Electricity Markets Authority

3 May 2016

Schedule A – Proposed modifications to the Standard Special Conditions in Part B of NGG (NTS)’s gas transporter licence

Standard Special Condition B6. Application of Standard Special Conditions B7, B8 and B9

- 1 Subject to the operation of this condition, Standard Special Conditions B7 (Provision of Meters), B8 (Provision of Terms) and B9 (Non-discrimination in the provision of Metering Activities) (in whole or in part) shall not be in effect in this licence.

- 2 If the Authority consents, pursuant to section 8AA of the Act, to the transfer of the gas transporter licence as held (as at 1 April 2016) by National Grid Gas plc (the company registered in England and Wales under company number 02006000) in respect of its distribution networks, the Authority may issue a direction to the licensee specifying that Standard Special Conditions B7, B8 and B9 shall be in effect within this licence from the date of such consent.

Standard Special Condition B7. Provision of Meters

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8 and B9), this condition shall not be in effect in this licence.

2. This condition applies only in relation to the provision of gas meters other than:
 - (a) a gas meter capable of forming part of a smart metering system;
 - (b) an advanced domestic meter; or
 - (c) a prepayment advanced domestic meter.

3. Except in so far as the Authority otherwise consents, the licensee shall comply with any reasonable request by a relevant gas transporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, to provide, through a meter asset manager and install at the premises of a domestic customer, a gas meter owned by the licensee and of a type specified by the supplier subject, however, to a meter of that type being reasonably available to the licensee and the supplier agreeing to pay the licensee's charges in respect of that meter.

4. Where any gas meter owned by the licensee is disconnected by, or returned to, the licensee it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity of, and the date of disconnection or return of, the meter and the premises from which it was disconnected to be ascertained, and shall keep such a record for a period of not less than 2 years from the date of the disconnection or return, whichever is the later.

5. Where the licensee has reasonable cause to believe that any gas meter owned by it and disconnected by, or returned to, it is or may be relevant to -
 - (a) any investigation, proceedings or possible proceedings relating to the alleged theft of gas by any person or to an alleged offence under paragraph 10(1) of Schedule 2B to the Act; or
 - (b) any dispute as to the accuracy of the meter,

the licensee shall use all reasonable endeavours to keep the meter in safe custody in the standard condition in which it was when disconnected or returned and with the register unaltered -

- (i) during the period of 6 months beginning with the date on which the meter was disconnected or returned, for as long as the licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and
- (ii) thereafter, for as long as, to the licensee's knowledge, the meter is so relevant.

6. When the licensee receives, in connection with a proposed connection or disconnection of a meter, such a notice as is mentioned in sub-paragraph (1) of paragraph 12 of Schedule 2B to the Act or receives information in pursuance of sub-paragraph (3) of that paragraph, it shall promptly give the relevant shipper a copy thereof and furnish it with any further information relating to the meter which is requested by the relevant shipper and which the licensee either has or may readily obtain.

7. Subject to any direction given by the Authority, paragraphs 4 to 6 of this condition shall cease to have effect on the date specified in condition 33.1 of the standard conditions of the gas supply licence (the date by which the duty to roll out a smart metering system must be fulfilled).

Standard Special Condition B8. Provision of Terms

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8 and B9), this condition shall not be in effect in this licence.

2. This condition applies only in relation to the provision of gas meters other than:
 - (a) a gas meter capable of forming part of a smart metering system;
 - (b) an advanced domestic meter; or
 - (c) a prepayment advanced domestic meter.

3. Where the licensee receives a request from a relevant gas transporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, the licensee shall provide to the supplier the terms provided for in paragraph 5.

4. Where the licensee is required to provide the services described in paragraph 3 of Standard Special Condition B7, it shall be the duty of the licensee to provide those services on reasonable terms.

5. The terms referred to in paragraph 3 are the licensee's terms regarding:
 - (a) the date by which the services required shall be provided (time being of the essence unless otherwise agreed between the parties);

 - (b) the charges to be paid in respect of the services required, such charges (save to the extent set out in any direction under paragraph 12 or unless manifestly inappropriate):
 - (i) to be presented in such a way as to be referable to the statements prepared in accordance with paragraph 7 of this condition, or any revision thereof; and

(ii) to be set in conformity with the requirements of paragraphs 6 to 9 of this condition; and

(c) such other detailed terms in respect of each of the services required as are or may be appropriate for the purpose of the agreement.

6. The licensee shall provide to the supplier such terms as are referred to in paragraph 5 as soon as practicable and (save where the Authority consents to a longer period) in any event not more than 28 days after receipt by the licensee from the relevant gas transporter of any request containing all such information as may reasonably be required for the purpose of formulating the terms of the agreement.

7. The licensee shall as soon as reasonably practicable prepare statements in a form approved by the Authority setting out:

(a) the basis upon which charges for the provision of services of a type described in paragraph 3 will be made; and

(b) information relating to the other terms that will apply to the provision of each service,

in each case in such form and with such detail as shall be necessary to enable any supplier to make a reasonable estimate of the charges to which he would become liable for the provision of such services and of the other terms, likely to have a material impact on the conduct of his business, upon which the service would be provided and (without prejudice to the foregoing) including the information set out in paragraph 8.

8. The statements referred to in paragraph 7 shall include:

(a) a schedule of charges for such services; and

(b) an explanation of the methods by which and the principles on which such charges will be calculated.

9. The licensee may periodically review the information set out in and, with the approval of the Authority, alter the form of the statements prepared in accordance with paragraph 7 and shall, at least once in every year that this licence is in force, make any necessary revisions to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.
10. The licensee shall send a copy of the statements prepared in accordance with paragraph 7, and of each revision of such statements in accordance with paragraph 9, to the Authority.
11. The licensee shall give or send a copy of the statements prepared in accordance with paragraph 7, or (as the case may be) of the latest revision of such statements in accordance with paragraph 9, to any supplier following a request from a relevant gas transporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, who requests a copy of such statement or statements.
12. The licensee may make a charge for any statement given or sent pursuant to paragraph 11 of an amount which shall not exceed the amount specified in directions issued by the Authority for the purposes of this condition based on the Authority's estimate of the licensee's reasonable costs of providing such a statement.
13. The Authority, having regard, in particular, to any representations made to it by the licensee, and other persons may issue a direction relieving the licensee of its obligations under this condition to such extent and subject to such terms and conditions as it may specify in that direction.
14. Subject to any direction given by the Authority, the provisions of standard special conditions B7 and B8 of this licence shall cease to have effect on the date specified in a direction made by the Secretary of State, in respect of the installation of a smart metering system, in accordance with his powers in Condition 33.6 (The duty in relation to replacement meters and new connections) of the standard conditions of the gas supply licence.

15. For the purposes of Standard Special Conditions B7 and B8:

advanced domestic meter has the same meaning as that provided in Condition 25B.16 (Definitions for the purposes of interoperability of advanced domestic meters) of the standard conditions of the gas supply licence

meter asset manager has the same meaning as that provided in paragraph 1A of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence.

prepayment advanced domestic meter has the same meaning as that provided in Condition 25B.16 of the standard conditions of the gas supply licence

relevant gas transporter' has the same meaning as that provided in paragraph 1 of Standard Special Condition A3 (Definitions and Interpretation).

smart metering system has the same meaning as that provided in Condition 1 (Definition for standard conditions) of the standard conditions of the gas supply licence

supplier

references to supplier in Standard Special Conditions B7 and B8 are a reference to the relevant supplier (as defined in Standard Special Condition A3 (Definitions and Interpretation)) who has made a request, pursuant to paragraph 1 of Standard Special Condition D17 of the DN operator gas transporter licence, and which forms the basis of a request from a relevant gas transporter to the licensee, pursuant to paragraph 2(b) of Standard Special Condition D17 of the DN operator gas transporter licence

Standard Special Condition B9. Non-discrimination in the Provision of Metering Activities

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8 and B9), this condition shall not be in effect in this licence.
2. The licensee shall avoid undue discrimination and undue preference between any persons or class or classes of persons in the provision of metering activities.
3. Without prejudice to paragraph 2 and subject to paragraph 5 of this condition, the licensee shall not make charges for the provision of metering activities to any supplier or class or classes of supplier which differ in respect of any item separately identified in the statements referred to in paragraph 7 of Standard Special Condition B8 (Provision of Terms) from those for the provision of metering activities to any other gas supplier or class or classes of supplier except insofar as such differences reasonably reflect differences in the costs associated with such provision.
4. Notwithstanding paragraph 3 of this condition, the licensee shall not make any charges in respect of metering activities in respect of any item of charge separately identified in the statements referred to in paragraph 7 of Standard Special Condition B8 (Provision of Terms) on any supplier whose contract does not provide for him to receive the activity to which such item of charge refers.
5. The licensee shall not in setting charges in respect of metering activities restrict, distort or prevent competition in the supply or conveyance of gas.

Standard Special Condition B10. Provision of services for specific domestic customer groups

Arrangements in respect of meters

1. Where a relevant supplier or a gas supplier who is about to become such a supplier has –

(a) pursuant to paragraph 1(d) of standard condition 26 (Services for specific Domestic Customer groups) of its supply licence transmitted to the licensee a request for the repositioning of a meter owned by the licensee; and

(b) undertaken to pay the licensee's reasonable expenses in complying with the request,

then, so far as it is reasonably practicable and appropriate for it to do so, the licensee must comply with the request.

Services for vulnerable domestic customers

2. If a domestic customer who is of pensionable age, disabled, or chronically sick asks it to do so, the licensee must, free of charge, agree a password with that customer that can be used by any representative of the licensee to enable the customer to identify that person for the purpose of carrying out necessary work for which the password was agreed.

3. The licensee must provide facilities, free of charge to domestic customers, which enables any domestic customer who is:

(a) blind or partially sighted; or

(b) deaf or hearing-impaired and in possession of appropriate equipment.

to ask or complain about any service provided by the licensee.

Provision of information

4. The licensee must prepare a statement, in plain and intelligible language, that sets out and explains its arrangements for complying with its obligations under this condition.

5. In relation to the statement prepared under paragraph 4, the licensee must:
 - (a) publish the statement on and make it readily accessible from its website;

 - (b) at least once each year, take all reasonable steps to inform domestic customers whose premises are connected to the pipe-line system, of the existence of the statement and how to obtain it;

 - (c) when asked to do so, provide to a domestic customer whose premises are connected to the pipe-line system and who is blind, partially sighted, deaf, or hearing-impaired, the statement in a manner or a format that is suitable for that customer's special communication needs;

 - (d) when asked to do so, provide to a domestic customer whose premises are connected to the pipe-line system and whose first language is not English, such assistance or advice as will enable that customer to understand the contents of the statement; and

 - (e) give a copy of the statement on request and free of charge to any person.

6. The statement prepared under paragraph 4 may, at the licensee's choice, be published as a single document that may also include the statements referred to in Standard Special Condition B11 (Arrangements for access to premises)

7. For the purposes of this condition:

“pensionable age” has the meaning given in section 48(2B) of the Act.

Standard Special Condition B11. Arrangements for access to premises

1. The licensee must take all reasonable steps to ensure that each representative of the licensee who visits a customer's premises on its behalf:
 - (a) possesses the skills necessary to perform the required function;
 - (b) can be readily identified as a representative of the licensee by a member of the public;
 - (c) uses any password that the licensee has agreed with the customer in accordance with paragraph 2 of Standard Special Condition B10 (Provision of services for specific domestic customer groups);
 - (d) is a fit and proper person to visit and enter the customer's premises; and
 - (e) is able to inform the customer, on request, of the gas emergency helpline number.
2. The licensee must take all reasonable steps, where a representative exercises the powers of entry conferred by Schedule 2B (the Gas Code) to the Act, to avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by its representatives and the representatives of other licence holders exercising powers of entry for like purposes.
3. The licensee must prepare a statement that sets out, in plain and intelligible language, its arrangements for complying with its obligations under paragraph 1.
4. In relation to the statement prepared under paragraph 3 the licensee must:

- (a) publish that statement on and make it readily accessible from its website ;
 - (b) at least once each year, take all reasonable steps to inform customers whose premises are connected to the pipe-line system of the existence of the statement and how to obtain it;
 - (c) when asked to do so, provide to a customer whose premises are connected to the pipe-line system and, who is blind, partially sighted, deaf, or hearing-impaired, the statement in a manner or a format that is suitable for that customer's special communication needs;
 - (d) when asked to do so, provide to a customer, whose premises are connected to the pipe-line system and whose first language is not English, such assistance or advice as will enable that person to understand the contents of the statement; and
 - (e) give a copy of the statement on request and free of charge to any person.
5. The statement prepared under paragraph 3 may, at the licensee's choice, be prepared and published as a single document that may also include the statements referred to in Standard Special Condition B10 (Provision of services for specific domestic customer groups)
6. In paragraph 2, the reference to visiting premises includes a reference to entry under the authority of a warrant obtained under the Rights of Entry (Gas and Electricity Boards) Act 1954.

Standard Special Condition B12. Reporting on Performance

1. The licensee must provide the Authority and Citizens Advice and Citizens Advice Scotland with information specified by the Authority relating to matters that it reasonably considers are relevant to the licensee's customers in relation to Standard Special Condition B10 (Provision of services for specific domestic customer groups), Standard Special Condition B11 (Arrangements for access to premises)
2. The information provided by the licensee under paragraph 1 must be in the form of a statistical record having such content and being presented in such a format and at such intervals of time as the Authority may from time to time direct.
3. Prior to issuing a direction under paragraph 2 the Authority must:
 - (a) consult with the licensee and Citizens Advice and Citizens Advice Scotland;
and
 - (b) consider any representations received as part of the consultation, including any about the materiality of costs that are likely to be incurred by the licensee in obtaining the information to be specified in the direction.
4. The obligations of this condition shall apply in respect of the obligation under paragraph 3 of Standard Special Condition B7 (Provision of meters), to the extent that this condition is in effect.

Schedule B – Proposed modifications to the Special Conditions of NGG (NTS)’s gas transporter licence

Special Condition 11G. Application of Special Condition 11H

1. Subject to the operation of this condition, Special Condition 11H (Restriction of prices in respect of Tariff Capped Metering Activities) (in whole or in part) shall not be in effect in this licence.
2. If the Authority consents, pursuant to section 8AA of the Act, to the transfer of the gas transporter licence as held (as at 1 April 2016) by National Grid Gas plc (the company registered in England and Wales under company number 02006000) in respect of its distribution networks, the Authority may issue a direction to the licensee specifying that Special Condition 11H shall be in effect within this licence from the date of such consent.

Special Condition 11H. Restriction of prices in respect of Tariff Capped Metering Activities

1. The purpose of this condition is to set out the tariff caps on certain metering activities. Subject to Special Condition 11G (Application of Special Condition 11H), this condition shall not be in effect in this licence.

Principal restriction.

2. The licensee in setting its charges for each of its Tariff-Capped Metering Activities in any Formula Year shall not exceed the maximum tariff cap M_t^A in respect of that metering activity in respect of that Formula Year t .

Maximum tariff caps (M_t^A)

3. For the purposes of paragraph 2 of this condition the maximum tariff cap for each of the Tariff-Capped Metering Activities in respect of Formula Year t (M_t^A) shall be derived in the following manner:
 - (a) In respect of the Formula Year commencing on 1 April 2013 ($t=1$), the maximum tariff caps shall have the values set out in the following table:

<u>Activity</u>	<u>Description</u>	<u>Maximum tariff caps(M_t^A)</u>
<u>1</u>	<u>Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum</u>	<u>£14.68</u>
<u>2</u>	<u>Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum</u>	<u>£36.73</u>

<u>3</u>	<u>Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum</u>	<u>£500.10</u>
<u>4</u>	<u>Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter , per job undertaken</u>	<u>£78.67</u>

(b) For subsequent Formula Years:

$$\underline{M_t^A} = \underline{M_{t-1}^A} \times \underline{RPI_t} \text{ (rounded up or down to the nearest penny)}$$

where:

RPI_t means, for the purposes of this condition only, the RPI adjustment and shall be calculated as the arithmetic average of the retail price index numbers published or determined with respect to each of the six months from June to November in year t-1 divided by the arithmetic average of the retail price index numbers published or determined with respect to the period from June to November t-2, where t-1 is one year immediately prior to the Formula Year t and shall be calculated in accordance with paragraph 3 of Standard Condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) of this licence except for t=1 where the RPI_t adjustment will not apply.

Departure from published statements of charges in respect of Tariff-Capped Metering Activities

4. Where the licensee wishes to depart from its published statement of charges prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the

provision of Tariff Capped Metering Activities by increasing its charges to a supplier to a level which would in any given Formula Year result in a breach of its obligations under paragraph 2 of this condition:

- (a) in consequence of that supplier having wholly or partly disposed of its meters; or
- (b) where it reasonably considers that the departure is necessary to comply with its duty in paragraph 4 of Standard Special Condition B8 (Provision of Terms),

the licensee shall make a written application to the Authority specifying why the change is requested, providing specification of the metering activities to be provided to that supplier, the proposed level of charge broken down between the different types of metering activities to be provided to that supplier together with such other information to support its application as the Authority may reasonably specify in writing.

- 5. The licensee may, with effect from the date of the application, levy the charges specified in that application in respect of that supplier if:
 - (a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent and on the basis of such terms and conditions as the Authority may specify; or
 - (b) if the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap within 90 Days after receipt of the application.
- 6. Subject to any direction given by the Authority, the maximum tariff caps for Activity 1 and Activity 2 within paragraph 3(a) of this condition shall cease to have effect on the date specified in a direction made by the Secretary of State, in respect of the installation of a Smart Metering System, (as defined in condition 1 (Definitions for standard conditions), of the standard conditions of the gas supply licence), in accordance with his powers under condition 33.6 (The duty in relation to replacement meters and new customers) of the standard conditions of the gas supply licence.

7. Subject to any direction given by the Authority, this condition shall cease to have effect on the date specified in condition 33.1 of the standard conditions of the gas supply licence (the date by which the duty to roll out a smart metering system must be fulfilled).
8. For the purposes of this condition:

Tariff Capped Metering Activities

means those activities provided by the Licensee listed in paragraph 3 of Special Condition 11H (Restriction of prices in respect of tariff capped metering activities).

Domestic Credit Meter Installation

means a Domestic Sized Meter and associated equipment and installations (excluding housing) within the definition of a Supply Meter Installation within the meaning in paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code and is not a Prepayment Meter Installation;

Prepayment Meter Installation

means a Domestic Sized Meter and associated equipment and installations (excluding housing) comprised in a Supply Meter Installation within the meaning in paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code through which gas, which is charged for as it is used, is supplied;

Daily Metered Supply Meter Points

means a supply meter point which is read on a daily basis in accordance with paragraph 1.3.1 of section M (Supply Point Metering) or paragraphs 1.5.1(b) or 1.5.3 of section G (Supply Points) of the Network Code having effect on 1 April 2002;