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Date: 19 December 2018

Dear Stuart,

**Decision on Murphy Gas Networks (MGN) Limited's Statements produced in accordance with the requirements of Standard Licence Conditions 4 and 4B of the Gas Transporter Licence.**

This letter explains our<sup>1</sup> decision regarding the following Statements<sup>2</sup> submitted by MGN under the obligations of the Gas Transporter Licence Standard Licence Conditions ("SLCs")<sup>3</sup>:

- "Charges for Transportation Arrangements" Statement;
- "New Connection, Adoption and System Exit Charges" Statement;

**Background**

In accordance with SLC 4 and SLC 4B of the Gas Transporter Licence ('the Licence') the licensee is required to furnish the Authority with Statements containing specific information as required in the licence.

The proposed Statements were submitted on 4 July 2018 following the granting of your Independent Gas Transporter (IGT) Licence on 20 December 2017.

This letter sets out the decision that we have reached with regards to these Statements, and the rationale behind our decision.

**Our Decision**

**"Charges for Transportation Arrangements" Statement**

Under paragraph 1 of SLC 4, the licensee is required to furnish the Authority with a statement of the transportation charges. The statement must set out the methods and principles on which these charges have been determined, in accordance with the methodology referred to in paragraph 5 of SLC 4.

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<sup>1</sup> The use of "we", "us" and "our" refers to the Authority. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) support GEMA in its day to day work.

<sup>2</sup> We were also sent the 'Network Code' Statement and the "Customer Code of Practice and Security of Supply" Statement. The licensee is required to produce these Statements but is not required to send them to us. Regarding the "Network Code" Statement, we would take this opportunity to confirm that no exceptions to the Independent Gas Transporter Uniform Network Code (IGT UNC) have been included and therefore no approval is required by the authority. We are not required to approve either of these two Statements.

<sup>3</sup> The requirements of the SLCs are set out in the Gas Transporter Licence Standard Licence Conditions:  
[https://epr.ofgem.gov.uk/Content/Documents/Gas\\_transporter\\_SLCs\\_consolidated%20-%20Current%20Version.pdf](https://epr.ofgem.gov.uk/Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf).

In line with the requirements of paragraph 1 of SLC 4, the statement that you have provided confirms that transportation charges are regulated by the Relative Price Control (RPC). This requires IGT transportation charges to be capped at a level that is broadly consistent with the GDN equivalent charge<sup>4</sup>.

In accordance with the notice published by the Authority on 12 February 2018<sup>5</sup>, MGN transportation charges will be regulated by the RPC, as per special licence condition 1. You have confirmed that you will employ the methodology set out by Ofgem to determine the maximum charge that can be made under the RPC.

The authority is not required to grant approval of this Statement. However, we confirm that we have received a statement which contains the specific information as required under the Licence.

### **"New Connection, Adoption and System Exit Charges" Statement**

Paragraph 9 of SLC 4B requires the licensee to furnish the Authority with a statement which:

- sets out the basis on which charges will be made for the provision of connections to their pipe-line system;
- where appropriate, is in such form and with such details and examples as are necessary to illustrate to any person requiring a connection how charges are applied for different categories of connection; and
- **is in accordance with connection charging methodology (CCM).**

The CCM should be developed in accordance with the requirements of paragraph 3 of SLC 4B and is subject to Authority approval. The CCM should set out the methods by which, and the principles on which, charges for connections are determined.

Your statement sets out the basis on which charges for connection works will be applicable in different circumstances. You have separated charges for domestic and non-domestic customers in order to clearly distinguish the charges relevant to both customer groups. You have also included a range of example charges for reference. Your statement has established the methods and principles on which charges will normally be determined for each of the scenarios set out in paragraph 3 of SLC 4B.

**We have decided to approve your CCM** as set out in your statement on the basis that it has been developed in accordance with paragraph 3 of SLC 4B. We also confirm that we have received a statement which contains the specific information as required under the Licence.

If you have any questions in relation to this letter please contact Jonathan Coe at [Jonathan.Coe@ofgem.gov.uk](mailto:Jonathan.Coe@ofgem.gov.uk) or on 020 7901 7010.

Yours sincerely,

**David O'Neill**  
**Head of Gas Systems**  
**Energy System Transition**

Signed on behalf of the Authority and authorised for that purpose.

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<sup>4</sup> More information about Independent Gas Transporters can be found on our website: <https://www.ofgem.gov.uk/gas/distribution-networks/connections-and-competition/independent-gas-transporters>

<sup>5</sup> Notice to modify the licence of Murphy Gas Networks Limited for Relative Price Control: <https://www.ofgem.gov.uk/publications-and-updates/modification-murphy-igt-licence-relative-price-control>