

To:
National Grid Gas Plc
Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales & West Utilities Limited

Gas Act 1986
Section 23(1)(a)

Modification of the Special Conditions and Standard Special Conditions of the Gas Transporter licence held by the licensees listed above

1. Each of the licensees to whom this document is addressed ('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. Under section 23(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 14 April 2021 ('the Notice') that we proposed to modify the Licence by:
 - a. amending the existing Special Conditions including the Price Control Financial Instruments; and
 - b. amending the existing SSCs.

We stated that any representations to the modification proposal must be made on or before 13 May 2021.

3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the modifications should not be made.
4. We received 9 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out at <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in cyan highlight in the modification text that can be found at <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>. The reasons for the differences between the modifications set out in the Notice and the modifications being made are to correct errors in the modifications proposed, improve the modifications proposed, and to extend modifications of the same type proposed in the statutory consultation to the rest of the condition in question, other conditions or licences and to address minor issues and corrections raised since the issuing of the Notice such as formatting errors.

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

6. The reasons and effects for making the modifications, together with the full text of the modifications can be found at <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>, alternatively they are available from foi@ofgem.gov.uk.
7. In addition, further details and background on these licence changes are set out in the following documents:
 - a. Statutory consultation for RIIO-2 Transmission, Gas Distribution and Electricity System Operator licences;²
 - b. RIIO-2 informal licence drafting consultation for Transmission, Gas Distribution and Electricity System Operator licences;³
 - c. RIIO-2 Draft determinations for Transmission and Gas Distribution companies and the Electricity System Operator;⁴
 - d. RIIO-2 Final Determinations for Transmission and Gas Distribution companies and the Electricity System Operator;⁵
 - e. Decision on the proposed modifications to the RIIO-2 Transmission, Gas Distribution and Electricity System Operator licences;⁶ and
 - f. Statutory consultation for the proposed modifications to the RIIO-2 Transmission, Gas Distribution and Electricity System Operator licence conditions.⁷
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules⁸ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Annex 2 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 23(1)(a) of the Act, we hereby modify the Special Conditions and Standard Special Conditions of the Gas Transporter licence of the licensees in the manner specified at <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>. This decision will take effect from 24 July 2021.

The reasons and effect document is our notice of reasons for the purposes of section 38A of the Act and can be found at <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>.

² <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-riio-2-transmission-gas-distribution-and-electricity-system-operator-licences>

³ <https://www.ofgem.gov.uk/publications-and-updates/riio-2-informal-licence-drafting-consultation-transmission-gas-distribution-and-electricity-system-operator-licences>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/riio-2-draft-determinations-transmission-gas-distribution-and-electricity-system-operator>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

⁶ <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licences>

⁷ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>

⁸ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

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Min Zhu
Duly authorised on behalf of the
Gas and Electricity Markets Authority

28 May 2021

Annex 1: SSCs we are proposing to amend

Condition	Licensees applicable to
Standard Special Condition A3: Definitions and Interpretation (we have only shown definitions we propose to amend).	All listed above
Standard Special Condition A28. Gas Network Innovation Strategy	All listed above

Annex 2: Relevant Licence Holders⁹

National Grid Gas Plc
Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks Plc
Southern Gas Networks Plc
Wales & West Utilities Limited

⁹Gas licence holders are listed on our website here: <https://www.ofgem.gov.uk/publications-and-updates/list-all-gas-licensees-including-suppliers>