

## **Appendix 4**

### **To:**

**National Grid Gas Plc (NTS)  
National Grid Gas Plc (DN)  
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 standard special conditions of the gas transporter licence held by each of the above Gas Transporters**

1. Each of the licensees to whom this document is addressed has a gas transporter licence which has been granted or treated as granted under section 7(2) of the Gas Act 1986 ('the Act').
2. Under section 7(2) of the Act The Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> gave notice on 10 May 2016 ('the Notice') that we propose to modify Standard Special Condition A11 (Network Code and Uniform Network Code).
3. We stated that any representations to the modification proposal must be made on or before 7 June 2016.
4. 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 change should not be made.
5. We received seven responses to the Notice, which we carefully considered. We have placed all the responses on our website. Our response to these comments is set out in the accompanying accompanying letter.
6. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are highlighted in grey in the attached Schedule 2. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 2 to correct minor typographical errors including those raised in consultation responses.
7. We are making this modification to ensure that the licence and the governance arrangements of all industry codes have in place a process aimed at delivering changes to the codes in an efficient and timely way.
8. The effect of these proposed modifications is to: introduce the ability for Ofgem to raise Significant Code Review (SCR) modification proposals; make amendments to the applicable objectives. Further details on the reasons for these licence modifications are available in the following documents:
  - a. Open Letter on Further Review of Code Governance dated 15 May 2015<sup>2</sup>
  - b. Code Governance Review (Phase 3): Initial Proposals (2015) dated 23 October 2015<sup>3</sup>

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

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/open-letter-further-review-industry-code-governance>

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-initial-proposals>

- c. Code Governance Review (Phase 3): Final Proposals (2015) dated 31 March 2016<sup>4</sup>
  - d. Code Governance Review (Phase 3): Final Proposals – consultation on licence modifications dated 31 March 2016<sup>5</sup>
  - e. Code Governance Review (Phase 3) Final Proposals – statutory consultation on licence modifications dated 7 June 2016<sup>6</sup>
9. 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 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 1 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’.

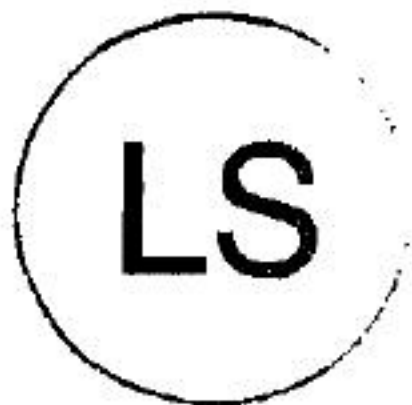
**Now therefore**

Under the powers set out contained in section 23(1)(a) of the Act, we hereby modify the standard special licence conditions for all gas transporter licences in the manner specified in the attached Schedules 2. This decision will take effect on and from 10 August 2016.

This document is notice of the reasons for the decision to modify the gas transporter licences 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**

**LESLEY NUGENT**



**Lesley Nugent  
Head of Industry Codes & Licensing  
Duly authorised on behalf of the  
Gas and Electricity Markets Authority  
14 June 2016**

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<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals>

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-consultation-licence-modifications>

<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-statutory-consultation-licence-modifications-0>

<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 CMA.

**Schedule 1 – Relevant licence holders**

National Grid Gas plc (NTS)  
National Grid Gas plc (DN)  
Northern Gas Networks Limited  
Scotland Gas Networks plc  
Southern Gas Networks plc  
Wales & West Utilities Limited

**Schedule 2 - Amendments to Standard Special Licence Condition A11**

See separate document