

Gas Act 1986
Section 8AA(9)

Notice under section 8AA(9) of the Gas Act 1986 (as amended) of the proposed transfer of a Gas Transporter licence held by National Grid Gas plc to National Grid Gas Distribution Limited

The Gas and Electricity Markets Authority ('the Authority')¹ proposes to consent to the transfer of the gas transporter licence held by National Grid Gas (NGG) in respect of its distribution network business ('NGG(DN)') granted or treated as granted under section 7 of the Gas Act 1986 ('the Act') to National Grid Gas Distribution Limited.

The Authority hereby gives notice pursuant to Section 8AA(9) of the Act as follows:

1. National Grid Gas plc (company registration number 02006000) the registered office of which is 1-3 Strand, London, WC2N 5EH, has written to the Authority seeking its consent under section 8AA of the Act to the proposed transfer of the gas transporter licence granted to NGG(DN) to National Grid Gas Distribution Limited (NGGDL) (company registration number 10080864), the registered office of which is at 1-3 Strand, London, WC2N 5EH.
2. On 23 June 2016 we received a request from National Grid Gas plc seeking our consent to transfer its gas distribution gas transporter licence to National Grid Gas Distribution Limited ahead of selling a majority stake in its gas distribution business. The Authority is minded to consent to the proposed licence transfer. The Authority would only direct this licence transfer in the circumstance that:
 - the proposed modifications to the NGG(DN) gas transporter licence and consequential changes to the NGG(NTS) gas transporter licence have been made as explained below.
 - the conditions for the simultaneous transfer of the relevant assets have been satisfied as mentioned in our decision of 06th July on transfer of assets.
3. In this circumstance, the Authority is satisfied that it would have been appropriate to grant a gas transporter licence to NGGDL had NGGDL applied to the Authority for such a licence and, as such, considers that it would be appropriate to consent to a transfer of an existing gas transporter licence to NGGDL.
4. The Authority has set out in more detail its consideration of the proposed transfer in the covering letter accompanying this notice dated 08 July 2016.
5. Furthermore, subject to the responses it receives to this consultation, the Authority proposes for its consent to transfer to be made subject to the licence being modified in accordance with section 8AA(4) of the Act. These changes are detailed in Schedules A and B of this notice. The proposed modifications would remove licence conditions that would no longer be relevant to the distribution business if the licence transfer takes place, ensure that certain licence conditions apply to activities carried out between related entities (and not solely those carried out within the same legal entity) and remove references to National Grid Gas that would no longer be accurate. In summary these proposed changes are:
 - Minor wording changes to Special Conditions 4E (Undertaking from ultimate controller concerning non-discrimination between the Distribution Network

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

transportation activity and the NTS transportation activity) and 4F (Separation of NTS and Distribution Network Businesses) to ensure they apply to activities undertaken by related entities (and not solely requiring the activities to occur within the same legal entity).

- Removal of Special Conditions 5A (Provision of Meters) and 5B (Provision of Terms) as these relate to metering duties that would be transferred to National Grid's Transmission licence.
 - Removal of reference to NGG's gas distribution networks and correction of a cross reference (in para 7) in Standard Special Condition D17 (Provision and Return of Meters).
 - Removal of references to NGGD in:
 - Appendix 1 to Special Condition 1B (Restriction of revenue in respect of the Distribution Network Transportation Activity)
 - Appendix 1, 2 and 3 to Special Condition 1C (Distribution Network allowed pass-through items)
 - Appendix 1 and 2 to Special Condition 1D (NTS Exit Capacity Cost Adjustment)
 - Appendix 1, 2 and 3 to Special Condition 1F (Revenue adjustments for performance in respect of gas Shrinkage and environmental emissions)
 - Appendix 1 to Special Condition 1H (The Network Innovation Allowance)
 - Appendix 1 to Special Condition 3B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments)
 - Appendix 1 and 2 to Special Condition 3D (The Innovation Roll-out Mechanism)
 - Appendix 1 to Special Condition 3E (Mains and Services Replacement Expenditure)
 - Appendix 1 and 2 to Special Condition 3F (Arrangements for the recovery of uncertain costs)
 - Annex A to Special Condition 4J (Non Gas Fuel Poor Network Extension Scheme Incentive Mechanism).
 - Amendment of references in Special Condition 4A (Disapplication of Relevant Special Conditions and Relevant Metering Special Condition) from the Competition Commission to the Competition and Markets Authority.
6. Any representations or objections in relation to the proposal by the Authority to grant consent to the proposed licence transfer and make associated modifications should be made in writing no later than 9 September 2016 to the Authority, either:

by post to: Rupika Madhura, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE

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.

Signature of AP

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Ian Rowson
Duly authorised on behalf of the
Gas and Electricity Markets Authority

8 July 2016

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

Standard Special Condition D17. Provision and Return of Meters

1. Subject to paragraph 2, the licensee shall comply with any reasonable request by a relevant supplier (or a gas supplier who is about to become such a relevant supplier) to provide through a meter asset manager and install at the premises of a domestic customer a gas meter, 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

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 its charges in respect of the meter.

1A. For the purposes of paragraph 1, “**meter asset manager**” means:

- (a) a person approved in accordance with the Supply Point Administration Agreement as possessing expertise satisfactorily to provide meter-related services or a class or description of persons so approved (the “**relevant expertise**”); or
- (b) an undertaking approved in accordance with the Supply Point Administrator Agreement as having staff possessing the relevant expertise

and for the purposes of this definition,

- (i) “**approved in accordance with the Supply Point Administration Agreement**” means approved in accordance with it for the purposes of this condition generally and “**staff**” includes officers, servants and agents; and
- (ii) “**meter-related services**” means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the

Network Code of Transco plc, as at 12 July 2004, as defined within Amended Standard Condition 9 (Network Code) of Transco plc's gas transporter licence on that date.

2. Paragraph 1 shall not apply
 - (a) Where:
 - (i) the premises in question are secondary sub-deduct premises; and
 - (ii) the owner or occupier of the premises has not agreed that the licensee may enter the premises for the purpose of removing the meter when the owner or occupier no longer requires the meter or the supply of gas; or
 - (b) where the licensee receives a reasonable request from a relevant supplier in accordance with paragraph 1, and the licensee submits that request within 14 days of receiving it to National Grid Gas plc to fulfil.
3. 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.
4. 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.
- 5. 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.
- 6. Where the record kept by the licensee under paragraph 8 of Standard Special Condition A50 (System Development Obligations) shows that a relevant supplier has supplied gas to particular premises for less than 2 years and that the supplier has not, since it began to supply gas to those premises, secured an inspection of the meter for the purposes of standard condition 12 (Matters relating to Gas Meters) of the standard conditions of the Gas Supply licence as incorporated in its licence, the licensee shall give to the relevant shipper, for transmission to the supplier (except where the recipient of the notice is itself the supplier), not less than 4 months' notice of the date by which the next such inspection should be carried out, being a date falling not more than 2 years after the date shown in the licensee's record as the date of the last such inspection or, if later, 5 months after the licensee is informed that the supplier has begun to supply gas to the premises.
- 7. Subject to any direction given by the Authority, paragraphs 1, 1A and 2 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, in accordance with his powers under condition ~~33.56~~ (The duty in relation to replacement meters and new connections) of the standard conditions of the gas supply licence.

8. Subject to any direction given by the Authority, paragraphs 3 to 6 and 9 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).
9. For the purposes of this condition and Standard Special Condition D18 (Provision of Metering and Meter Reading Services):

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

National Grid Gas plc has the same meaning as that provided in Special Condition 1A (Restriction of revenue in respect of the Distribution Network Transportation Activity: definitions) of National Grid plc's gas transporter licence in respect of the distribution networks which it owns

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

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

Schedule B – Proposed modification to the Special Conditions of NGG(DN)'s gas transporter licence

Special Condition 1B. Restriction of revenue in respect of the Distribution Network Transportation Activity

Appendix 1

Values for the PU_t term (2009/10 prices) by Distribution Network

(see paragraph 1B.6 of this condition)

	PU_t value (£m)							
Formula Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
NGGD EOE	525.5	506.4	509.7	500.2	499.0	497.9	495.1	496.2
NGGD Lon	353.1	346.4	368.5	358.9	354.0	353.0	347.6	347.2
NGGD NW	381.7	364.7	367.6	361.4	363.1	361.6	361.3	360.6
NGGD WM	281.9	276.3	276.3	268.5	271.6	271.9	272.2	270.0
Northern Gas Networks Ltd	340.5	338.6	348.9	340.2	330.8	333.5	336.2	341.0
Scotland Gas Networks plc	256.5	249.4	243.3	256.0	259.5	261.6	257.1	261.7
Southern Gas Networks plc	612.8	592.1	603.0	604.8	608.6	611.5	605.3	609.1
Wales & West Utilities Ltd	344.4	340.1	335.0	336.0	347.3	343.6	343.0	340.8

	Peters Green South Mimms	NT3	185.6	185.5	185.2	185.2	185.2	185.2	185.2	185.2
NGGD NW	Blackrod	NW1	147.8	147.7	147.6	147.6	147.6	147.6	147.6	147.6
	Lupton	NW1	20.0	19.9	19.9	19.9	19.9	19.9	19.9	19.9
	Samlesbury	NW1	107.4	107.3	107.2	107.2	107.2	107.2	107.2	107.2
	Audley	NW2	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
	Eccleston	NW2	17.0	16.9	16.9	16.9	16.9	16.9	16.9	16.9
	Holmes Chapel	NW2	21.2	21.2	21.1	21.1	21.1	21.1	21.1	21.1
	Malpas	NW2	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
	Mickle Trafford	NW2	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3
	Partington	NW2	62.6	62.5	62.5	62.5	62.5	62.5	62.5	62.5
	Warburton	NW2	113.3	113.2	113.2	113.2	113.2	113.2	113.2	113.2
	Weston Point	NW2	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9
NGGD WM	Aspley	WM1	63.6	62.2	61.0	61.0	61.0	61.0	61.0	61.0
	Audley WM	WM1	15.2	14.8	14.2	14.2	14.2	14.2	14.2	14.2
	Milwich	WM1	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2
	Alrewas WM	WM2	65.3	62.7	60.8	60.8	60.8	60.8	60.8	60.8
	Austrey	WM2	61.2	61.2	60.9	60.9	60.9	60.9	60.9	60.9
	Shustoke	WM2	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7
	Leamington Spa	WM3	2.6	2.5	2.4	2.4	2.4	2.4	2.4	2.4
	Lower Quinton	WM3	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
	Ross on Wye WM	WM3	9.6	9.5	9.5	9.5	9.5	9.5	9.5	9.5
	Rugby	WM3	60.7	60.1	58.2	58.2	58.2	58.2	58.2	58.2
	Stratford-upon-Avon	WM3	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Northern Gas Networks Ltd	Bishop Auckland	NO1	60.1	60.1	60.1	60.1	60.1	60.1	60.1	60.1
	Coldstream	NO1	2.3	2.6	2.8	2.8	2.8	2.8	2.8	2.8
	Corbridge	NO1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	Cowpen Bewley	NO1	52.1	52.1	52.1	52.1	52.1	52.1	52.1	52.1
	Elton	NO1	59.6	60.2	60.2	60.2	60.2	60.2	60.2	60.2
	Guyzance	NO1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	Humbleton	NO1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	Keld	NO2	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
	Little Burdon	NO1	16.6	18.7	20.9	20.9	20.9	20.9	20.9	20.9

	Melkinthorpe	NO2	2.0	2.2	2.4	2.4	2.4	2.4	2.4	2.4
	Little Saltwick	NO1	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
	Big Saltwick	NO1	60.1	60.1	60.1	60.1	60.1	60.1	60.1	60.1
	Thrintoft	NO1	5.6	6.2	6.9	6.9	6.9	6.9	6.9	6.9
	Tow Law	NO2	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
	Wetheral	NO2	28.4	28.7	28.7	28.7	28.7	28.7	28.7	28.7
	Asselby	NE1	4.4	4.4	4.6	4.6	4.6	4.6	4.6	4.6
	Baldersby	NE1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
	Burley Bank	NE1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
	Ganstead	NE2	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
	Pannal	NE1	139.8	139.8	139.8	139.8	139.8	139.8	139.8	139.8
	Paull	NE2	42.6	44.8	46.9	46.9	46.9	46.9	46.9	46.9
	Pickering	NE2	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
	Rawcliffe	NE1	4.6	4.6	5.0	5.0	5.0	5.0	5.0	5.0
	Towton	NE1	69.5	69.5	69.5	69.5	69.5	69.5	69.5	69.5
Southern Gas Networks plc										
	Braishfield A	SO2	85.1	85.1	85.1	85.1	85.1	85.1	85.1	85.1
	Braishfield B	SO2	54.2	57.1	57.1	57.1	57.1	57.1	57.1	57.1
	Hardwick	SO1	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1
	Ipsden North	SO2	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
	Ipsden South	SO2	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6
	Mappowder	SO2	42.1	42.1	42.1	42.1	42.1	42.1	42.1	42.1
	Winkfield (SO)	SO2	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3
	Farningham	SE1	55.0	86.6	86.6	86.6	86.6	86.6	86.6	86.6
	Farningham B	SE1	117.9	117.9	117.9	117.9	117.9	117.9	117.9	117.9
	Shorne	SE1	47.4	48.3	48.3	48.3	48.3	48.3	48.3	48.3
	Tatsfield	SE1	187.4	192.8	192.8	192.8	192.8	192.8	192.8	192.8
	Winkfield (SE)	SE2	89.7	90.4	90.4	90.4	90.4	90.4	90.4	90.4
Scotland Gas Networks plc										
	Aberdeen	SC01	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5
	Armadale	SC02	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
	Balgray	SC01	14.8	15.0	15.0	15.0	15.0	15.0	15.0	15.0
	Bathgate	SC04	20.4	21.1	21.1	21.1	21.1	21.1	21.1	21.1
	Broxburn	SC02	56.3	56.3	56.3	56.3	56.3	56.3	56.3	56.3
	Careston	SC01	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
	Drum	SC04	82.5	82.5	82.5	82.5	82.5	82.5	82.5	82.5
	Glenmavis	SC04	128.3	128.3	128.3	128.3	128.3	128.3	128.3	128.3
	Hume	SC02	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	Kinknockie	SC01	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
	Langholm	SC04	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	Lockerbie	SC04	6.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8

Special Condition 1F. Revenue adjustments for performance in respect of gas Shrinkage and environmental emissions

Appendix 1: Distribution Network allowance in respect of Shrinkage costs for the period beginning on 1 April 2013 and ending on 31 March 2021

Distribution Network	Shrinkage allowance (£m 2009/10 prices)							
	t=1	t=2	t=3	t=4	t=5	t=6	t=7	t=8
NGGD EoE	11.8	11.7	11.6	11.4	11.2	11.0	10.9	10.7
NGGD Lon	6.1	6.0	5.9	5.8	5.7	5.6	5.4	5.3
NGGD NW	9.0	8.8	8.7	8.5	8.3	8.1	7.9	7.7
NGGD WM	7.0	6.9	6.9	6.7	6.6	6.5	6.4	6.3
Northern Gas Networks Ltd	10.0	9.7	9.5	9.1	9.0	8.9	8.7	8.5
Scotland Gas Networks plc	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5
Southern Gas Networks plc	13.3	13.1	13.0	12.7	12.5	12.3	12.1	11.6
Wales & West Utilities Ltd	8.8	8.7	8.7	8.5	8.4	8.3	8.1	7.9

Appendix 2: Distribution Network allowed Shrinkage volume (the SB term) for the period beginning on 1 April 2013 and ending on 31 March 2021

Distribution Network	Shrinkage volume (GWh)							
	t=1	t=2	t=3	t=4	t=5	t=6	t=7	t=8
NGGD EoE	569	558	547	535	524	513	502	491
NGGD Lon	317	310	302	295	288	281	274	267
NGGD-NW	407	397	386	376	366	355	345	335
NGGD WM	335	328	321	315	308	301	295	288
Northern Gas	459	449	438	428	418	407	397	386

Networks Ltd								
Scotland Gas Networks plc	247	240	234	226	221	213	208	202
Southern Gas Networks plc	637	622	606	591	575	558	544	527
Wales & West Utilities Ltd	440	433	425	417	409	401	393	385

Appendix 3: Distribution Network allowed Leakage volume (the LB term) for the period beginning on 1 April 2013 and ending on 31 March 2021

Distribution Network	Leakage volume (GWh)							
	t=1	t=2	t=3	t=4	t=5	t=6	t=7	t=8
NGGD EoE	535	525	514	503	492	481	470	459
NGGD Lon	299	292	285	278	271	264	257	251
NGGD NW	385	375	365	355	344	334	324	314
NGGD WM	320	314	308	301	295	288	282	275
Northern Gas Networks Ltd	434	424	413	403	392	382	371	361
Scotland Gas Networks plc	231	224	218	211	205	198	192	186
Southern Gas Networks plc	604	589	573	558	542	526	511	495
Wales & West Utilities Ltd	415	407	400	392	384	376	369	361

Special Condition 1H. The Network Innovation Allowance

APPENDIX 1: NIA Percentage

(see the NIAV term under Part B of this condition)

Distribution Network	NIA Percentage
NGGD NW	0.7
NGGD EoE	0.7
NGGD WM	0.7
NGGD LON	0.7
Wales & West Utilities Ltd	0.5
Northern Gas Networks Ltd	0.7
Scotland Gas Networks plc	0.5
Southern Gas Networks plc	0.5

Special Condition 3B. Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments

APPENDIX 1: Totex Incentive Strength Rate and Totex Capitalisation Rates

(see Part A of this condition)

Distribution Network	Totex Incentive Strength Rate (%)	Non-Repex Capitalisation Rate (%)	Repex Capitalisation Rate (%)							
			2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
NGGD EOE	63.04	26.63	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
NGGD Lon	63.04	23.47	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
NGGD NW	63.04	26.10	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
NGGD WM	63.04	24.95	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
Northern Gas Networks Ltd	63.98	34.98	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
Scotland Gas Networks plc	63.73	35.13	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
Southern Gas Networks plc	63.73	32.23	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00
Wales & West Utilities Ltd	63.17	35.78	50.00	57.14	64.29	71.43	78.57	85.71	92.86	100.00

Special Condition 3D. The Innovation Roll-out Mechanism

APPENDIX 1: Totex Incentive Strength Rate

Distribution Network	Totex Incentive Strength Rate (%)
NGGD EOE	63.04%
NGGD Lon	63.04%
NGGD NW	63.04%
NGGD WM	63.04%
Northern Gas Networks Ltd	63.98%
Scotland Gas Networks plc	63.73%
Southern Gas Networks plc	63.73%
Wales & West Utilities Ltd	63.17%

APPENDIX 2: Materiality threshold amount

Distribution Network	£m
NGGD EOE	503.751
NGGD Lon	353.576
NGGD NW	365.242
NGGD WM	273.597
Northern Gas Networks Ltd	338.713
Scotland Gas Networks plc	255.631
Southern Gas Networks plc	605.906
Wales & West Utilities Ltd	341.301

Distribution Network specific matrix costs (£ per metre, at 2009/10 price levels) for Above Risk Action Threshold Tier 2 Mains: Distribution Network: NGGD WM

	Specific matrix costs (£ per metre)							
Diameter band n	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1	170	170	170	170	170	170	170	170
2	329	329	329	329	329	329	329	329
3	548	548	548	548	548	548	548	548

Distribution Network specific matrix costs (£ per metre, at 2009/10 price levels) for Above Risk Action Threshold Tier 2 Mains: Distribution Network: Northern Gas Networks Ltd

	Specific matrix costs (£ per metre)							
Diameter band n	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1	143	143	143	143	143	143	143	143
2	259	259	259	259	259	259	259	259
3	419	419	419	419	419	419	419	419

Distribution Network specific matrix costs (£ per metre, at 2009/10 price levels) for Above Risk Action Threshold Tier 2 Mains: Distribution Network:

Scotland Gas Networks plc

	Specific matrix costs (£ per metre)							
Diameter band n	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1	202	202	202	202	202	202	202	202
2	374	374	374	374	374	374	374	374
3	608	608	608	608	608	608	608	608

Distribution Network specific matrix costs (£ per metre, at 2009/10 price levels) for Above Risk Action Threshold Tier 2 Mains: Distribution Network: Southern Gas Networks plc

	Specific matrix costs (£ per metre)							
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Special Condition 3F. Arrangements for the recovery of uncertain costs

APPENDIX 1: TOTEX INCENTIVE STRENGTH RATE

(see paragraph 3F.7 of this condition)

Distribution Network	Totex Incentive Strength Rate (%)
NGGD EOE	63.04%
NGGD Lon	63.04%
NGGD NW	63.04%
NGGD WM	63.04%
Northern Gas Networks Ltd	63.98%
Scotland Gas Networks plc	63.73%
Southern Gas Networks plc	63.73%
Wales & West Utilities Ltd	63.17%

APPENDIX 2: MATERIALITY THRESHOLD AMOUNT

(see paragraph 3F.7 of this condition)

Distribution Network	£m
NGGD EOE	503.751
NGGD Lon	353.576
NGGD NW	365.242
NGGD WM	273.597
Northern Gas Networks Ltd	338.713
Scotland Gas Networks plc	255.631
Southern Gas Networks plc	605.906
Wales & West Utilities Ltd	341.301

Special Condition 4A. Disapplication of Relevant Special Conditions and Relevant Metering Special Condition

Introduction

4A.1 The purpose of this condition is to enable the Licensee to make a formal request for the disapplication of the Relevant Special Conditions or Relevant Metering Special Condition (in whole or in part) and for such provisions to be disappplied following such a request in the circumstances specified below.

Part A: Conditions are to continue subject to disapplication

4A.2 The Relevant Special Conditions or Relevant Metering Special Condition apply for as long as this licence continues in force, but will cease to have effect (in whole or in part, as the case may be) if the Licensee serves a Disapplication Request on the Authority in accordance with the provisions of Parts B and C below and:

- (a) the Authority agrees in writing to the Disapplication Request; or
- (b) the application of the Relevant Special Conditions or Relevant Metering Special Condition (in whole or in part) is terminated by a notice given by the Licensee in accordance with the provisions of Part D below.

Part B: Procedure for making a Disapplication Request

4A.3 The Licensee may ask the Authority to consent to the disapplication of the Relevant Special Conditions or Relevant Metering Special Condition (in whole or in part) by serving a “Disapplication Request” on the Authority under this condition.

4A.4 A Disapplication Request must:

- (a) be in writing and addressed to the Authority;
- (b) specify to which of the Relevant Special Conditions or Relevant Metering Special Condition (or any part or parts of them) the request relates;
- (c) provide a full statement of the Licensee’s reasons for making the request;
- (d) contain such other information or analysis as the Licensee considers sufficient to enable the Authority to fully assess the Disapplication Request;

- (e) state the date that is proposed by the Licensee (which must not be earlier than the appropriate date that is mentioned in Part C below) on and after which the specified Relevant Special Conditions or Relevant Metering Special Condition (or part or parts of them) would cease to have effect (the “Disapplication Date”); and
- (f) specify the Distribution Network (or any part or parts of it) to which the request relates.

4A.5 A Disapplication Request served under this condition may be served in respect of a specified geographical area.

4A.6 If, within 28 days of receipt of a Disapplication Request, the Authority gives notice to the Licensee;

- (a) specifying further information or analysis that it reasonably considers is required in order to fully assess the Disapplication Request, and
- (b) requests the Licensee to provide that information or analysis,

the Disapplication Request shall be treated for the purposes of paragraph 4A.8 of this condition as not served on the Authority until that further information or analysis has been provided to the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 4A.8 below, the Disapplication Date shall be treated as being the earliest date that would comply with that paragraph.

4A.7 The Licensee may withdraw a Disapplication Request at any time.

Part C: Date from which a disapplication may take effect

4A.8 Except where the Authority otherwise consents, a disapplication following the service of a Disapplication Request may not have effect until a date that is no earlier than 18 months after service on the Authority of the Disapplication Request.

Part D: Licensee’s right to terminate under a Disapplication Request

4A.9 If the Licensee has served on the Authority a Disapplication Request that complies with the requirements of Parts B and C of this condition, it may subsequently give the

Authority a notice (a “Disapplication Notice”) that terminates the application of some or all of the provisions of this licence specified in that request:

- (a) in the circumstance described in Part E; or
- (b) in the circumstance described in Part F,

but in either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part C.

Part E: Termination without involvement of the Competition and Markets

Authority Commission

4A.10 The circumstance referred to in paragraph 4A.9(a) above is that by the beginning of the period of six months that would end on the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 23(7) of the Act to modify:

- (a) the Relevant Special Conditions or Relevant Metering Special Condition (or any part or parts of them) to which the Disapplication Request applies; or
- (b) this condition so as to remove the Licensee’s right to give the Authority a Disapplication Notice under paragraph 4A.9 in respect of the relevant Disapplication Request.

Part F: Termination after involvement of the Competition and Markets

Authority Commission

4A.11 The circumstance referred to in paragraph 4A.9(b) above is that the Authority has published a decision as described in paragraph 4A.10(a) or 4A.10(b) above and:

- (a) the Licensee has exercised its right to appeal to the Competition and Markets Authority Commission against that decision of the Authority as provided for by section 23B of the Act;
- (b) the Competition and Markets Authority Commission, acting under section 23F of the Act, has, in respect of the provision to which the Disapplication Notice relates: (i) quashed the Authority’s decision, and (ii) neither remitted the matter back to the Authority under section 23E(2)(b) of the Act nor substituted

its own decision for that of the Authority under section 23E (2)(c) of the Act;
and

- (c) no more than 30 days have elapsed since the date on which the Competition ~~and Markets Authority Commission~~ quashed the decision in the circumstances described in paragraph 4A.11(b) above.

Special Condition 4E. Undertaking from ultimate controller concerning non-discrimination between the Distribution Network transportation activity and the NTS transportation activity

1. Consistently with the undertaking to be procured under paragraph 2 below, where the licensee:
 - (a) procures services from a NTS Operator, ~~the licence for which~~ has an ultimate controller which is also an ultimate controller of ~~is held in the same legal entity as the licensee; and/or~~
 - (b) provides services to such NTS Operator, ~~notwithstanding the fact that these licences are held in the same legal entity,~~ the licensee shall enter into and comply with written arrangements for the provision and/or procurement of services between the licensee and such NTS Operator. Such arrangements are to be entered into on arm's-length commercial terms having the same effect as, and not being unduly different from, those which would apply ~~;~~
 - ~~(i) if any relevant gas transporter entered into a contract with the NTS Operator to provide and/or procure the same services (regardless of whether such contract exists or not); and~~
 - ~~(ii) if the licensee and such NTS Operator were in fact held in separate and unrelated legal entities.~~

2. The Licensee shall procure from each company or other person which is at any time an ultimate controller of the licensee and also an ultimate controller of the NTS Operator, a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that the ultimate controller will instruct, direct and procure that the licensee shall:
 - (i) conduct its transportation business in a manner best calculated to secure that the businesses of NTS Operator, ~~the licences for which~~ has an ultimate controller which is also an ultimate controller of the licensee ~~are held by the holder of this licence in the same legal entity,~~ does not obtain any unfair commercial advantage (including any such advantage from a preferential or discriminatory arrangement); and
 - (ii) enter into and comply with written arrangements, which if the businesses of such NTS Operator ~~were not held within the same legal entity~~ did not have an ultimate

controller which is also an ultimate controller of the licensee, would be a contract on arm's-length commercial terms.

3. The licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 2;
- (b) Inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) Comply with any direction from the Authority to enforce any such undertaking;

and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when -

- (i) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
- (ii) there is an unremedied breach of such undertaking; or
- (iii) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.

4. In this condition, "relevant gas transporter" shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall exclude the licensee and National Grid Gas plc ~~both in its capacity as the licensee and in its capacity as a NTS Operator.~~

Special Condition 4F. Separation of NTS and Distribution Network Businesses

1. The licensee shall use its best endeavours to ensure compliance with the terms of the statement prepared in accordance with paragraph 2 of Special Condition 10B (Separation of NTS and Distribution Network Businesses) of the licence relating to the NTS Operator which has an ultimate controller which is also an ultimate controller of the licensee ~~the holder of this licence holds, in the same legal entity, in respect of its operation of the NTS~~ as from time to time revised and approved by the Authority. In particular, the licensee shall ensure that no associated gas transporter business solicits any action from the NTS Operator (which has an ultimate controller which is also an ultimate controller of the licensee) which would constitute a breach of Standard Special Condition A6 (Conduct of the Transportation Business) and Standard Special Condition A35 (Prohibition of Cross-Subsidies). To the extent required, the statement referred to above shall also be construed appropriately in respect of the licensee's role as a DN Operator.
2. ~~The managerial and operational independence of the associated gas transporter business from any NTS Operator which is required to be demonstrated by the statement referred to in paragraph 1 above shall include the establishment of separate managerial boards for each of:~~
 - (a) ~~the associated gas transporter businesses, taken as a whole, as defined in this condition; and~~
 - (b) ~~the transportation business in respect of the NTS, and~~
3. ~~such managerial boards shall include at least two members, two of which shall be directors of National Grid Gas plc. These managerial boards shall be responsible for directing the affairs of, and taking all substantial decisions relating to, the business in respect of which they have been established. Each member of those managerial boards who is also a director of National Grid Gas plc shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the managerial board he or she is a member of has been established.~~
4. ~~2.~~ The licensee shall appoint a business separation compliance officer for the purposes of facilitating compliance with this condition on the same terms and with the same duties as are required in respect of the NTS as set out in the holder of this licence is required to appoint a compliance officer in respect of Special Condition 10C (Appointment and duties of the business separation compliance officer) of the licence relating to an NTS Operator which has an ultimate controller which is also an ultimate controller of the licensee ~~any licence held with respect to an NTS Operator.~~
5. ~~3.~~ The licensee shall establish a compliance committee (being a sub-committee of the board of directors of the licensee) for the purpose of overseeing and ensuring the performance of the duties and tasks of the compliance officer set out in paragraph ~~32~~ and the

compliance of the licensee with its duties under paragraph 1. The compliance committee shall have the same duties in respect of this licence as the compliance committee established in respect of the NTS (as set out in Special Condition 10C of the licence relating to the NTS Operator which has an ultimate controller which is also an ultimate controller of the licensee~~which the holder of this licence holds in respect of its operation of the NTS~~). Such compliance committee shall include among its members such person in the licensee's business as is responsible for the management of regulatory issues relating to the licensee.

~~6.4.~~In this condition “associated gas transporter business” means an affiliate, related undertaking, or business unit of the licensee which is a DN Operator.

Special Condition 4J. Non Gas Fuel Poor Network Extension Scheme Incentive Mechanism

ANNEX A: Scheme Connection Targets

Licensee	Scheme Connection Targets from 1 April 2013 to 31 March 2021
NGGD EOE	12,046
NGGD Lon	2,880
NGGD NW	13,330
NGGD WM	8,360
Northern Gas Networks Ltd	14,500
Scotland Gas Networks plc	17,130
Southern Gas Networks plc	10,367
Wales & West Utilities Ltd	12,590

Special Condition 5A. Provision of Meters

~~5A.1. 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.~~

~~5A.2. 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), 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.~~

Special Condition ~~5B. Provision of Terms~~

~~5B.1—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.~~

~~5B.2. — 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), the Licensee shall provide to the Supplier the terms provided for in paragraph 5B.4.~~

~~5B.3. — Where the Licensee is required to provide the services described in paragraph 5A.2, it shall be the duty of the Licensee to provide those services on reasonable terms~~

~~5B.4. — The terms referred to in paragraph 5B.2 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 5B.11 or unless manifestly inappropriate):~~
 - ~~(i) — to be presented in such a way as to be referable to the statements prepared in accordance with paragraph SB.6 of this condition, or any revision thereof; and~~
 - ~~(ii) — to be set in conformity with the requirements of paragraphs 5B.5 to 5B.8 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.~~

~~5B.5. — The Licensee shall provide to the Supplier such terms as are referred to in paragraph 5BA 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.~~

~~5B.6. 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 5B.2 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 5B.7.~~

~~5B.7. The statements referred to in paragraph 5B.6 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.~~

~~5B.8. 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 5B.6 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.~~

~~5B.9. The Licensee shall send a copy of the statements prepared in accordance with paragraph 5B.6, and of each revision of such statements in accordance with paragraph 5B.8, to the Authority.~~

~~5B.10. The Licensee shall give or send a copy of tile statements prepared in accordance with paragraph 5B.6, or (as the case may be) of the latest revision of such statements In~~

~~accordance with paragraph 5B.8, 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), who requests a copy of such statement or statements.~~

~~5B.11. The Licensee may make a charge for any statement given or sent pursuant to paragraph 5B.10 of an amount which shall not exceed the amount specified in directions Issued by the Authority for the purposes of Standard Special Condition D18 (Provision of Metering and Meter Reading Services) based on the Authority's estimate of the Licensee's reasonable costs of providing such a statement.~~

~~5B.12. 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.~~

~~5B.13. Subject to any direction given by the Authority, the provisions of Chapter 5 of Part E 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 33.5 (The duty in relation to replacement meters and new connections) of the standard conditions of the gas supply licence.~~

~~5B.14. For the purposes of Chapter 5:~~

~~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 D 17(Provision and Return of Meters).~~

~~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 this Chapter 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, 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 D-17.~~