

APRIL 2016

nationalgrid

Sale of a majority stake in National Grid's Gas Distribution network business

Response Document



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Introduction

On the 16th February 2016 National Grid launched a stakeholder consultation regarding the proposed sale of a majority stake in our gas distribution business. Since then, we have received a number of responses from across the industry. We would like to thank stakeholders for their engagement in the process so far.

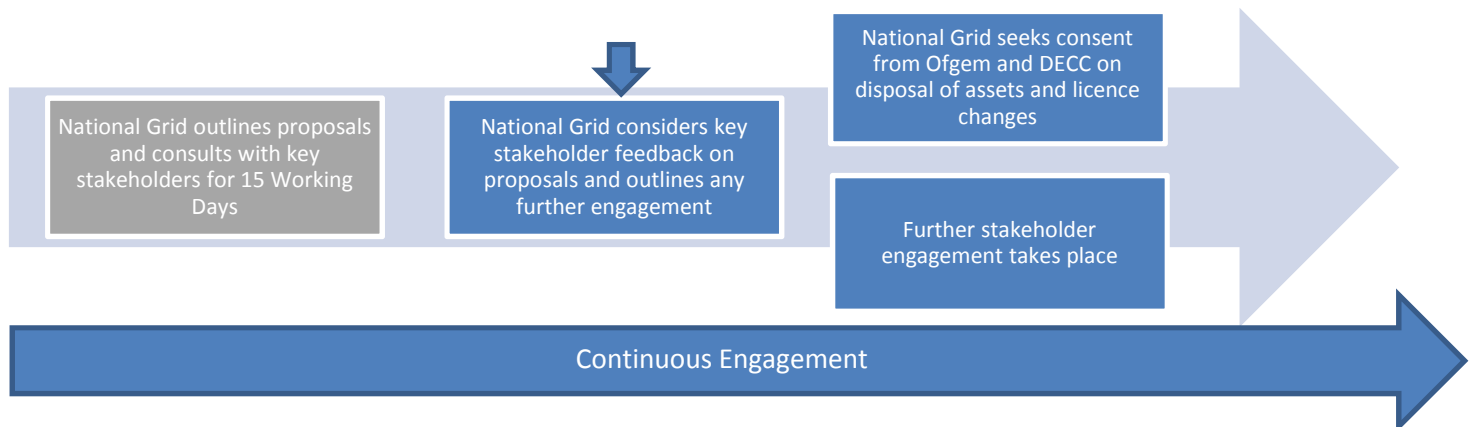
The purpose of this document is to provide further details on our proposals where it has been requested. We also highlight the responses we have had to the questions we asked and also outline the next steps.

Once again we would encourage any feedback that you have regarding the areas identified in the document.

All feedback and any requests for further information should be sent to box.GDxHaveYourSay@NationalGrid.com.

Our Consultation Process

In the consultation document, we outlined the process we are following to gather stakeholder feedback on our proposals. We are progressing through this process and are now at the stage where we are considering feedback and outlining further engagement. Below we set out how we have engaged with our stakeholders so far and what else we intend to do as the sale process progresses.



Our initial Consultation paper was e-mailed to over 350 Stakeholders across a wide range of stakeholder groups including, but not limited to; gas transporters, shippers, other industry bodies and consumer groups. The consultation paper was also published on National Grid's Gas Distribution & Gas Transmission Talking Network websites with an email alert sent to register users of the Gas Distribution site. We followed this up with an email requesting feedback and providing stakeholders with the opportunity to complete a short questionnaire asking whether they had received and understood the consultation.

Ofgem and Xoserve shared details of the consultation with their identified stakeholders to further encourage participation.

We have also spoken face to face with many stakeholders, using business as usual meetings, industry events and regular planned conversations.

This engagement exercise resulted in 18 responses from across the stakeholder group surveyed.

Responses by Stakeholder Group:

Other Gas Distribution Networks	3
Gas Shippers/Suppliers	4
Independent Gas Transporters	1
National Government	1
Local Government/Highway Agencies	3
Industry Bodies	5
Energy Buyer	1

National Grid is committed to engaging with stakeholders throughout the sale process and is developing a plan to engage with key stakeholder groups through various forums. This is being done in conjunction with our business as usual stakeholder engagement (see our Stakeholder engagement plan in Appendix 3).

The Proposed Sale Process

Some of the feedback we received from stakeholders was that they were unclear on the process National Grid is following to prepare for a sale of a majority stake in our Gas Distribution Network business and what exactly was for sale; we outline the process below and describe what we intend to sell.



Figure 1: Current Organisational Hierarchy

- National Grid will create a separate company within the National Grid group (the new gas distribution company) which will become the asset owner and licence holder for the Gas Distribution Network business
- In order to complete the transfer of assets and licence National Grid will require consent from both Ofgem and the Secretary of State (DECC)
- It is also necessary for the HSE to accept the revised safety case for National Grid Gas and the new safety case for the new gas distribution company, and agree the transfer of the 0800 number duty (as described in the 0800 number section below)
- The new gas distribution company will be governed by the same regulatory framework as the existing gas distribution businesses in the UK and will be required to sign up to the associated industry agreements

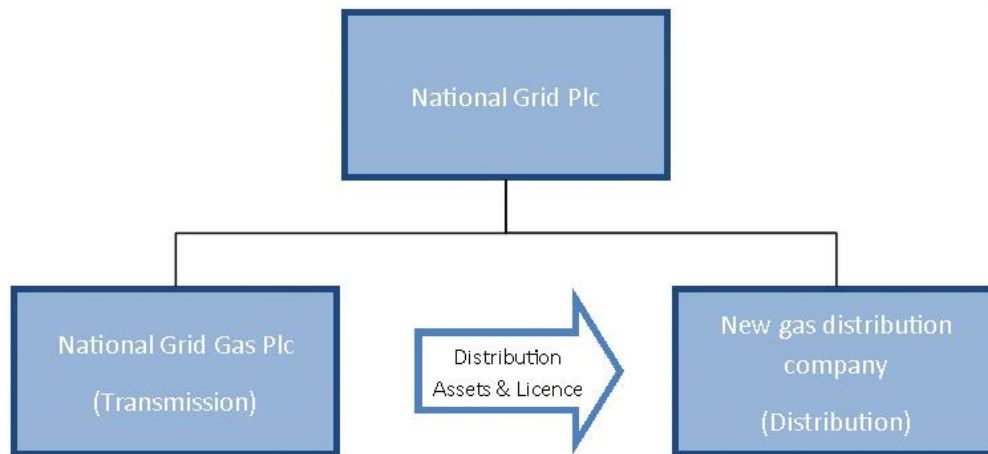


Figure 2: Organisational Hierarchy at Creation of New Company

- The transfer of distribution assets and licence shown in Figure 2 above is the subject of this consultation
- A majority stake of this business will then be offered for sale, National Grid will retain a minority stake in the business

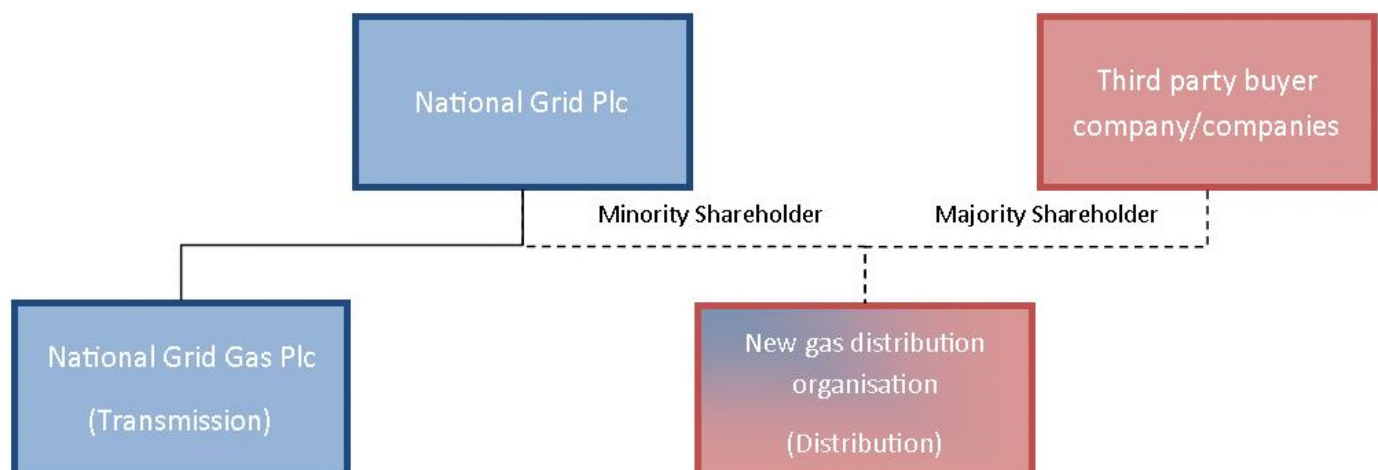


Figure 3: Organisational Hierarchy Post Share Sale

- The new gas distribution company will be a standalone company outside the National Grid group at the completion of share sale and will have all the necessary support functions required to operate independently
- National Grid's timetable for completing the sale of a majority of the shares in the new gas distribution company is early 2017
- The new gas distribution company will continue to provide the same services as National Grid Gas Distribution does today

In the rest of this document we will set out the current position, our initial proposals and our stakeholder's views on these proposals. We also outline the next steps we intend to take in each of the following areas in order to transfer the assets and licence to the new gas distribution company ahead of selling a majority of its shares:

- Joint Office of Gas Transporters
- Backstop Meter Provider of Last Resort (BMPoLR)
- 0800 Gas Emergency Number

- Xoserve
- Areas raised by respondents: Transparency of costs and Benefit to the Consumer, Knowledge and expertise of staff within the new Gas Distribution Company, and Implications for Highway Work

The following appendices have been included in the document:

- Appendix 1: Summary of key issues raised by stakeholders
- Appendix 2: Individual stakeholder written responses (where we have gained permission to share)
- Appendix 3: Stakeholder engagement plan
- Appendix 4: Proposed revised licence conditions summary
- Appendix 5: Proposed revised licence text

Any feedback on the licence condition changes can be sent to box.GDxHaveYourSay@NationalGrid.com . We will share any feedback received with Ofgem to help inform their statutory consultation on licence modifications.

Joint Office of Gas Transporters

Current Obligations

The requirement to have joint governance arrangements is set out in Standard Special Condition A12 (Joint Office Governance Arrangements) of the transmission and distribution licences. The Joint Office of Gas Transporters is an independent body not owned by any Gas Transporter and is staffed by representatives from the transmission and distribution network operators who are relevant gas transporters. Relevant gas transporters are those who hold a gas transmission or distribution licence in which Standard Special Condition A12 is effective; National Grid Gas Transmission and Distribution, and the four other Gas Distribution Networks (GDNs).

All relevant gas transporters are required to be a party to the Joint Governance Arrangements Agreement (JGAA).

Resourcing of the Joint Office

The JGAA details the provision of resources for the Joint Office, stating that a resource plan will be developed by the committee of the Joint Office. Each Gas Transportation network owner has a representative, and this plan should include for

- (i) an independent Modification Panel chair (**Panel Chair**);
- (ii) the manpower staff requirement for the Joint Office, including:
 - (a) the aggregate number of staff required;
 - (b) the qualifications and/or experience of the staff required; and
 - (c) the number and type of staff to be provided by a Party
- (iii) suitable facilities for business purposes

Members of staff can be appointed to the Joint Office on secondment from any member party

Governance of the Joint Office

As a result of the sale of Gas Distribution the committee representation is not expected to change namely

Networks	Number of Representatives
National Transmission System	One (1)
North of England	One (1)
Scotland and South of England	One (1)
Wales and West	One (1)
East of England, West Midlands, London, North West	One (1)

Our Initial Proposals

It is anticipated there will be no change to the services provided by the Joint Office as a result of the Gas Distribution Sale.

The licence condition concerning Joint Office in National Grid Gas plc's licence is not expected to change and (subject to consultation) will transfer with National Grid Gas plc's licence to the new distribution company to ensure that the obligation continues to apply.

The existing commercial arrangements and funding obligations will apply to the new owner of the gas distribution business and it is expected there will be no change of representation on the Joint Governance Arrangements Committee (JGAC).

Resourcing of the Joint Office is subject to the wider consideration about the transfer of National Grid staff into the new gas distribution company; however the resourcing of the Joint Office is expected to remain largely unchanged.

Stakeholders Responses

- The majority of respondents who commented on the Joint Office proposals were supportive of National Grid's proposals
- Some respondents raised questions regarding the current resourcing and processes of the Joint Office. These are operational matters unrelated to the sale of the gas distribution networks and have been passed to the chair of JGAC
- None of the respondents who commented on the Joint Office were concerned by the proposals

Outcomes

As a result of the Gas Distribution sale process there will be no change to the existing obligations for the provision of the Joint Office, this extends to the arrangements for the resourcing of the Joint Office. At the point at which the new gas distribution company is established we expect no change to the individuals who are seconded to the Joint Office.

National Grid has not identified any changes required to either the Transmission or Distribution licence as a result of the proposed sale, there is also no change required to the JGAA. However, the new gas distribution company will need to become a party of this agreement when the assets and licence transfer and (subject to consultation) it will indeed do so.

Backstop Meter Provider of Last Resort (BMPoLR)

Current Obligations

Gas Distribution Licence Obligations applicable to all Distribution networks

Each of the licences in respect of the eight gas distribution networks contain an obligation to provide a meter, within the geographical boundary of that network, to domestic premises, where requested by a gas supplier. This provision must be through a Meter Asset Manager (MAM) and on published terms. Those terms and the provision of the service must be offered without undue preference or undue discrimination. Standard Special Conditions D17 (Provision and Return of Meters), D18 (Provision of Metering and Metering Related Services) and D19 (Non-discrimination in the Provision of Metering Activities) of the gas distribution licence set out these obligations. The obligations refer only to the premises of a domestic customer and only to the older (“traditional”) meter type. The obligations do not apply to smart meters.

This obligation is set out to provide context and there are no changes proposed to the above arrangements.

BMPoLR

The licence held by National Grid Gas plc in respect of its Gas Distribution business has an additional obligation, not contained in the licences of the other GDNs. This obligation requires that where an GDN receives a request from a supplier to provide a meter under Standard Special Condition D17 (as above), within its geographical area, it can require National Grid Gas plc to fulfil that request on its behalf by requiring a MAM to provide the service. These obligations are set out in Chapter 5, Special Conditions 5A (Provision of Meters) and 5B (Provision of Terms) of National Grid Gas Distribution’s Licence.

This service is currently provided by National Grid Metering Limited on behalf of National Grid Gas plc, with National Grid Metering Limited managing the gas supplier relationship. The provision of the service through National Grid Metering Ltd ensures that there is no undue preference nor undue discrimination in the delivery of this service.

National Grid’s initial stakeholder consultation document set out a proposal as to which licence might hold the BMPoLR arrangements in future.

Our Initial Proposals

Option One

When the assets and licence of National Grid Gas Distribution are transferred to the new gas distribution company, the licence could be modified to remove the BMPoLR obligation from the new gas distribution company’s licence. In this scenario, the only other possible place for this obligation to reside would be in the Gas Transmission licence held by National Grid Gas plc in respect of its high pressure transmission pipeline business. The consequences of this option would be no material change to the existing contracts which National Grid Gas plc has with suppliers. There would be no changes to how the service is delivered, as National Grid Metering Limited is not part of the Gas Distribution Sale.

Option two

Under this option, when the assets and licence of National Grid Gas Distribution are transferred to the new gas distribution company, this backstop obligation would be transferred in the existing Gas Distribution licence to the new gas distribution company which would be responsible for the BMPoLR obligation. The practical consequences of this option are that the contracting framework would need to be reviewed so that the new gas distribution company could discharge the BMPoLR licence obligation through a MAM.

Option two would result in the new distribution company's licence having BMPoLR (a backstop licence obligation that is designed to protect consumers on all of the distribution networks) in its licence only. In addition, there would need to be changes to the metering contracts to enable the new gas distribution company to discharge this obligation.

Summary

As Option One presents no material change to commercial arrangements for the industry this is the most straightforward solution. Additionally it ensures that the licences of all Distribution transporters have the same obligations in respect of metering. Clarity of contracting parties and hence accountability is expected to remain as they are today.

Stakeholder Responses

- The majority of the stakeholders who responded to the consultation were supportive of Option 1, where the BMPoLR obligation resides in National Grid Gas' Transmission licence
- One respondent supported Option 2, where the BMPoLR obligation remains with the distribution business and transfers to the new gas distribution company as the respondent did not feel BMPoLR was a natural fit within the transmission licence
- One respondent had no preference and one requested further information, this document provides further information on the BMPoLR obligations

Outcomes

Following the responses received from our stakeholders National Grid's intention is to seek Authority approval to implement Option One.

With regard to the respondent's view that BMPoLR is not a natural fit within transmission; National Grid feels that although not a 'natural fit' the transmission licence provides the best fit for this obligation in order that it can be carried out for all GDNs on a national basis. National Grid also has the existing contracts in place with National Grid Metering Ltd to ensure the continuous provision of BMPoLR.

In order to facilitate this change it will be necessary to replicate Standard Special Conditions D17, 18 and 19 of the Distribution Licence within National Grid's Transmission licence and remove Special Conditions 5A and 5B in relation to BMPoLR from the Distribution Licence and place these within National Grid's Transmission licence.

As stated in our initial consultation these arrangements only cover traditional meters and do not extend to the provision of smart meters, it is expected that the demand for traditional meters will continue to decline over coming years. Moving the obligation for meter provision to Transmission ensures that this decline continues to be managed in the way it is currently.

National Grid's metering activities including the BMPoLR obligation will continue to be provided by National Grid Metering Ltd in their role as a MAM, this presents no change to how these services are delivered today. National Grid Metering Ltd is not included within the Gas Distribution sale process.

There will be no impact to the services provided to suppliers and the other Gas Transporters as a result of the moving of this obligation.

Licence Changes

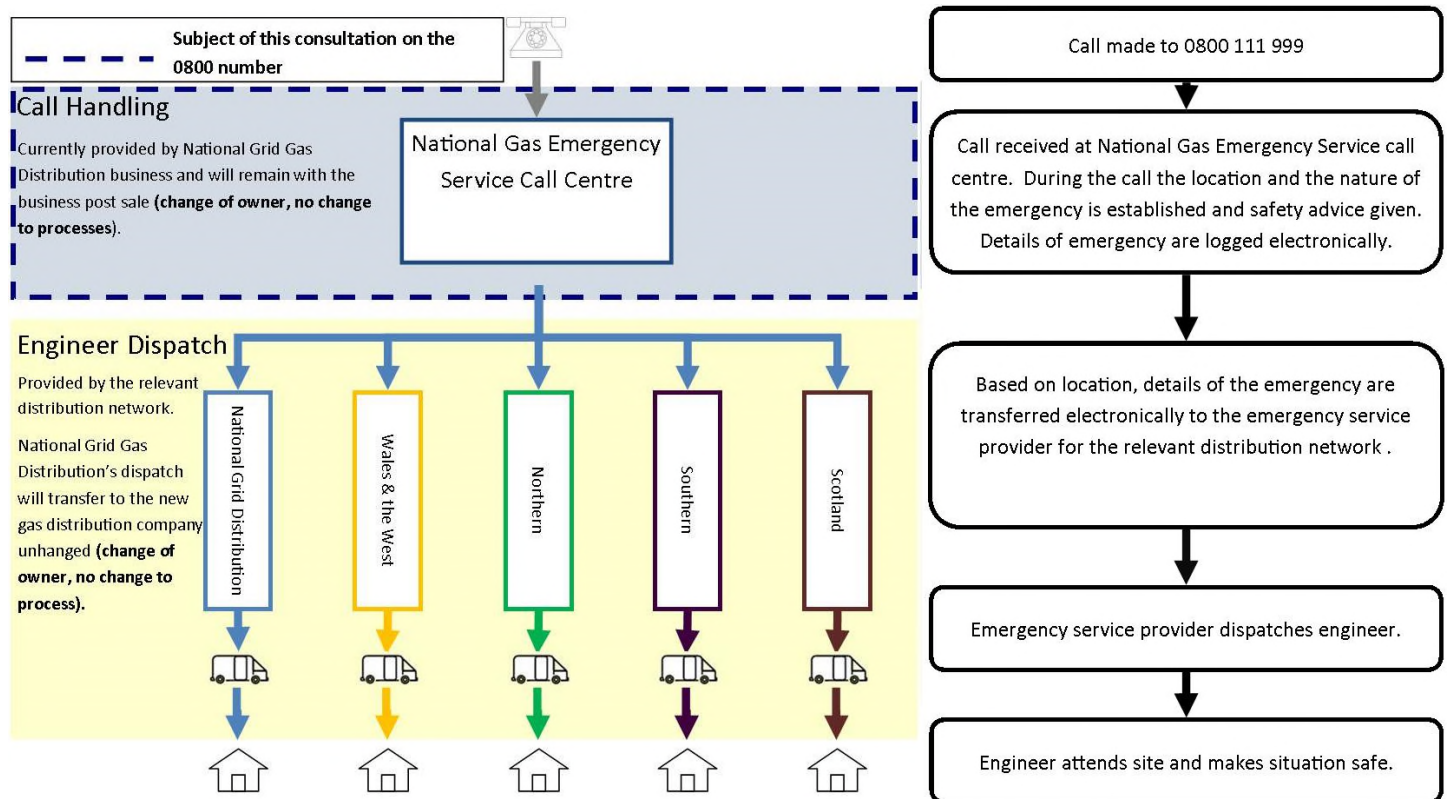
As stated above the licence conditions that control BMPoLR need to be removed from National Grid's Gas Distribution licence and inserted into National Grid's Gas Transmission Licence with the content unchanged. The text of these licence conditions is attached at Appendix 5 and will be fully consulted on by Ofgem as part of its consultation process.

0800 Gas Emergency Number

Current Obligations

The requirement for the provision of a continuously manned telephone service for reporting gas escapes is set out in Regulation 7 (Gas Escapes and Investigations) of the Gas Safety (Management) Regulations 1996 (GS(M)R). The duty holder in GS(M)R is named as British Gas plc. Today, National Grid Gas plc, is that company (and hence the duty holder). The 0800 number activity, which consists of a call receipt and management service for the reporting of gas emergencies, is carried out by National Grid Gas Distribution on behalf of the other GDNs, Transmission, and Independent Gas Transporters (this is shown in the diagram below).

It is important to note that the duty only extends to call receipt and management for emergency calls for the other Gas Transporters and does not include the provision of the emergency engineer who attends the gas escape. Each gas transporter provides their own emergency engineers or has a contractual arrangement with an Emergency Service Provider to undertake this on their behalf.



The 0800 number is currently provided nationally and on a non-discriminatory basis in line with standards of service. Paragraph 4 of Standard Special Condition A8 of the gas transporters licences also ensures against discrimination. The National Gas Emergency Service call centre receives over 2 million calls per annum of which over 90% are answered within 30 seconds.

Our Initial Proposals

The effect of separating National Grid Gas Distribution from the legal entity National Grid Gas plc would leave the 0800 duty holder and the existing call management provider in different legal entities. The new gas distribution company appears to be the appropriate entity to continue to provide this important service as the assets, people, systems and contracts are provided by the current gas distribution business and will need to transfer to the new gas distribution company as part of Gas Distribution sale.

We are discussing with the Health and Safety Executive the most appropriate way to ensure that the obligation continues to align with the delivery of the service. In any event, the impact of the Gas Distribution Sale will leave the service unchanged and with clear accountability.

The solutions that we are discussing with the Health and Safety Executive include creating the flexibility for future changes in the duty holder, so that the current limitation in GS(M)R is removed. This would facilitate the duty holder being either a category of persons or perhaps more widely, any suitable person possessing appropriate skills, resources and expertise, that might wish to be a provider of this service.

Summary

In summary, our proposal is that the existing activity stays with the Gas Distribution business (and therefore moves from National Grid Gas plc to the new gas distribution company), which presents no change to the way that the service is provided today and therefore avoids any risk that might arise if the arrangements were to be transferred to the Gas Transmission business.

National Grid will clarify these changes within the Safety Case document for both National Grid Transmission and the new gas distribution company.

There will be clear accountability for delivery of the service at all times.

Stakeholder Responses

- There was a mixed response to National Grid's proposal to move the duty for the 0800 number to the new distribution company alongside in line with where the activity is currently undertaken.
- A number of respondents were supportive of the proposal, with others favouring the duty remaining with National Grid
- Two respondents suggested the creation of a separate industry body to manage the 0800 service.
- Overall there did not appear to be clarity across the industry as to how the 0800 number currently functions and further information is included in this document to help with this understanding

Outcomes

National Grid believes that the duty holder for the 0800 number should remain with the organisation undertaking the activity, which will be the new gas distribution company. This presents the lowest risk option as the service will continue to be provided by the same staff who provide the service nationally and on a non-discriminatory basis today.

If the duty were to remain with National Grid Gas Plc after the gas distribution sale, this would require either the creation of a new call centre, or would require a contractual arrangement with the new gas distribution company to provide the service. Both of these options would introduce unnecessary risk.

Importantly there will be no change to the 0800 111 999 number to ensure clarity and continuation of this service.

Subject to the provision of suitable supporting evidence, National Grid and the HSE have agreed that the transfer of the 0800 duty from National Grid Gas Plc to the new gas distribution company can be effected safely. National Grid is now working through the details of the solution including assembling the right evidence to submit to the HSE. Once we have satisfied HSE that consumer and public safety is preserved we expect our proposals to be accepted.

The purpose of moving the 0800 number obligation with National Grid's gas distribution business to the new gas distribution company is to ensure the continuity of this service to the same high level through minimal change, rather than creating a step change within the industry.

National Grid acknowledges the view point raised by some respondents that the 0800 number should be provided by an independent organisation. This is not within the scope of National Grid's proposed sale of the gas distribution business, at present there is no statutory route to facilitate the creation of an independent body.

If, in the future it becomes possible through statutory means for the establishment of an independent body National Grid would, of course, participate in the industry debate about this safety critical service.

National Grid understands that the Health and Safety Executive, in consultation with Ofgem and the Department for Energy and Climate Change, is considering whether there is a case to review the Gas Safety (Management) Regulations 1996 and a timetable in which such a review might take place.

National Grid has prepared Safety Cases for both the transmission business and the new gas distribution company to reflect the proposed changes. There is no requirement to make any changes to the Licences for transmission or distribution as a result of this change.

Xoserve

Current Obligations

Standard Special Condition A15 (Agency) of both the gas Transmission and Distribution licences outline the requirement for all relevant gas transporters to enter into an agency services agreement (ASA) for the common provision of certain services and systems. The agency referred to by the licences is Xoserve Limited and the ASA is a commercial agreement which all relevant gas transporters are party to.

The industry is undertaking a review of the funding and governance of Xoserve and the agency services that are provided to the industry. This has been the subject of extensive consultation which is set out on Ofgem's website. We believe the Gas Distribution Sale does not result in any changes to this process.

Our Initial Proposals

Ownership share of Xoserve

The share capital of Xoserve is split between the gas transporters of the eight gas distribution networks and gas transmission (a total of nine separate shareholdings). When the assets and licence of National Grid Gas's distribution business transfer to the new distribution company, National Grid Gas plc's shareholding in respect of its four gas distribution networks automatically converts to deferred shares (i.e. with no ownership rights). The new distribution company will be issued new shares (being the same number of shares previously held by National Grid Gas plc in respect of its gas distribution business) subject to it acceding to the required industry commercial agreements being (i) the shareholders' agreement; (ii) a consortium Deed of Adherence (related to tax); and (iii) the ASA.

Summary

Save for the ownership change set out above it is expected there will be no impact to Xoserve or the services it provides as a result of the Gas Distribution Sale.

The new gas distribution company will become the owner of the same number of shares representing the 4 gas distribution networks as currently owned by National Grid Gas plc.

Stakeholder Responses

- None of the stakeholders who responded to the question regarding Xoserve were opposed to the no change proposal
- One respondent asked for information regarding Xoserve employee pension arrangements as a result of the sale, National Grid are currently reviewing these arrangements but do not expect any change
- One respondent raised concerns regarding the accessibility of information from Xoserve, this is outside the scope of the gas distribution sale and has been passed to Xoserve

Outcomes

National Grid proposes no change to Xoserve arrangements as a result of the gas distribution sale; there is no requirement to make changes to the gas Transmission or Distribution licence conditions relating to Xoserve as they are written to accommodate a change in network ownership.

Standard Special Condition A15, which is in each of the gas distribution and transmission licences, will be in the licence transferred to the new gas distribution company. The new gas distribution company will accede to the ASA at the time at which the licence transfers.

The gas distribution sale will have no impact on the ongoing Funding, Governance and Ownership (FGO) consultation. A review of the proposed drafting for Standard Special Condition A15 and A15A produced as an output of the FGO process has been undertaken and no changes have been identified as a result of gas distribution sales.

We note the recent Competition and Markets Authority Energy Market Reform Provisional Findings (which were published after our initial consultation period had closed). We do not believe that these have any impact on our proposed sale of a majority stake in our gas distribution business.

Other topics raised by respondents

Transparency of Costs and Benefit to the Consumer

Some respondents raised questions regarding the transparency of cost and benefits for consumers. Ofgem regulates GDNs by setting revenue in return for a range of outputs that represent good value for the customer, these are;

- Maintain a safe and reliable network
- Contribute to sustainability and protect the environment
- Provide connections to supply new customers and support connecting new gas entry points into the network
- Meet their social obligations
- Provide an agreed standard of service to consumers and other stakeholders

The targets set to the GDNs including National Grid Gas' GDNs will not change as a result of the gas distribution sale. The GDN costs are set until 2021 and will apply to the new gas distribution company. In summary the consumer will continue to be protected by, and share in the benefits of the RII GD1 price control irrespective of ownership.

Knowledge & Expertise of Staff within the New Gas Distribution Company

One respondent raised concerns regarding the level of knowledge and expertise of the staff within the new gas distribution company.

National Grid Gas' distribution business has its own dedicated distribution staff with appropriate skills and experience to run and manage the distribution business. These employees will transfer as part of the gas distribution sale ensuring continuity of skilled resources. We are undertaking a process to assess the support service requirements of a standalone gas distribution business and will be embarking on a process to ensure that support service staff with the required skills and expertise are assigned to the new gas distribution company.

Implications for Highways Work

Two respondents requested confirmation that the process for notifying highways agencies of proposed street works would remain unchanged.

The systems and processes for notifying the highways agencies of proposed street works are part of the gas distribution business and will transfer to the new gas distribution company. To the extent that gas transmission submits notifications, National Grid Gas is going through a process to ensure continuity of that process.

National Audit Office Report (The Office of Gas and Electricity Markets: Sale of gas networks by National Grid 2005)

One respondent highlighted the National Audit Office report produced in 2005 following the sale of 4 gas distribution networks, and questioned whether the recommendations within the document had been taken on board during this sale process. National Grid have reviewed the recommendations and note that many of these are aimed at the regulators processes rather than the network company and the need to ensure that the benefits of comparative competition are realised.

National Grid would like to emphasise that the impact of the process being followed during this sale is much lesser than the network sales in 2005. In 2005 a major step change within the gas industry was needed to recognise multiple transporters, splitting the gas transmission and distribution networks, Gas Exit Capacity reform, the creation of the Joint Office and Agency, and the introduction of comparative regulation within the gas transportation industry. The industry frameworks do not need to be changed to facilitate the sale. This sale represents a change of ownership similar to the changes of ownership in other network companies seen in recent years, the most recent being Wales and the West

Networks in 2012. The process may therefore necessarily be quite different to reflect the right amount of emphasis for the issues raised.

With respect to comparative regulation, Ofgem has evolved and continues to refine and evolve the information it requires from network utilities in order to make relevant comparisons.

Next Steps

National Grid would like to thank all respondents for their engagement with this process and we welcome further discussion on any new or ongoing concerns. Please feel free to contact your usual stakeholder contact or box.GDxHaveYourSay@NationalGrid.com

Licence Changes

The conclusion of this consultation is that the only substantive change to the transmission and distribution licences held by National Grid Gas is to move the existing obligation in respect of BMPoLR from distribution to transmission.

If, following further consultation, Ofgem and DECC decide to consent to National Grid's requests to transfer the gas distribution assets and licence to a new gas distribution company, initially within National Grid group, then Ofgem will need to have the ability to activate the licence conditions relating to BMPoLR, in the transmission licence held by National Grid Gas Plc. The initial licence change contemplated will be no more than an option to activate these provisions and Ofgem will only activate these conditions if it is satisfied, following consultation, that this protects the interests of consumers.

The draft text is attached at Appendix 5 and a table of non-material changes (mainly referencing changes) is attached at Appendix 4, these will be the subject of statutory consultation.

Uniform Network Code Modifications

An initial list of changes to the Uniform Network Code has been produced together with an outline timetable for consideration by the industry. This will be promoted through the usual network code modification process in the near future. The Uniform Network Code was designed to facilitate changes in ownership when it was drafted in 2005, therefore these changes are once again not material. The industry will have an opportunity to consider these fully in due course.

Commercial Arrangements

The new gas distribution company will sign up to industry agreements including a short form network code, the JGAA and the ASA. There is a process to ensure that all other ancillary arrangements that the new gas distribution company need to be a signatory to are in place at the time of the gas distribution network sale.

Existing commercial agreements between the GDNs and National Grid in respect of BMPoLR will not need to change as a result of the gas distribution sale as the contracting service provider entity is National Grid Metering Ltd. These arrangements will continue unchanged as National Grid Metering Ltd is not part of the gas distribution sale.

Timetable

It is intended that a high level timetable will be published in due course. National Grid is currently discussing this with Ofgem.

Notices and consents

National Grid is talking to Ofgem and DECC about the timing and process for the notices that National Grid needs to serve and the consents that it requires in order to transfer its gas distribution licence and assets to a new gas distribution company. National Grid understands that Ofgem will consult on these in due course.

Appendix 1: Summary of key issues raised by stakeholders

Organisation/Name	Joint Office of Transporters	Backstop meter provider of last resort obligation (BMPoLR)	0800 Emergency Number Provision	Xoserve	Adhoc	Action
Northern Gas Networks Limited: Stephen Parker (Regulation Director)*	Supports proposed approach - but would like to understand any risk associated with any planned changes to Joint Office staff.	No strong preference - least amount of industry change is the logical approach.	The service should remain in National Grid Gas PLC - a national service with a national organisation.	Supports - has no concerns that the proposed sale will impact on this service.	N/A	The points raised are answered in Response Document.
Wales & West Utilities: Steve Edwards (Director of Regulation & Commercial)*	Supports - feels there will be minimal impact on this service.	More information is required to make an informed decision between the two preferences in order to understand the full impact on customers.	More information required to make an informed preference, and would like more engagement to fully understand the detail of both options.	Supports - feels there will be minimal impact to this service.	Concerns raised about the transparency of current & future costs between the sold & retained business. Other areas require more detailed engagement.	Initial conversation held with Wales & West Utilities. Further conversations planned and will engage as per Engagement Plan.
Scotia Gas Networks/Chairman of the Gas Industry Safety Group (CISG): Chris Bielby *	N/A	N/A	Supports the transfer from National Grid to the new Gas Distribution company.	N/A	N/A	The point raised on the 0800 number is answered in the Response Document.
Association of Independent Gas Transporters: John Barrett (Secretary)*	No comment to make other than maintaining effective governance is paramount.	Prefers Option 2 - feels that the obligations supporting this in the Gas Distribution licence do not naturally fit in the Transmission business.	Supports - the 0800 service could move to the new Gas Distribution business.	N/A	N/A	The points raised are answered in Response Document.

Organisation/Name	Joint Office of Transporters	Backstop meter provider of last resort obligation (BMPoLR)	0800 Emergency Number Provision	Xoserve	Adhoc	Action
RWE npower Group PLC: David Smith (Regulatory Investigations)*	Supports - Interested in understanding the impact of the change on the Joint Office staff.	Supports option 1 - remain in the Gas Transmission license.	Supports - this should remain in the Gas Distribution Business & transfer to the new company.	Supports - but will expect the new Gas Distribution company to engage with the Xoserve FGO programme.	Would like further detail on how the level of expertise & knowledge will be maintained both during & after the sale to ensure the levels of service does not degrade.	The points raised are answered in Response Document.
ScottishPower: Colin Blair (Energy Commercial Manager)*	Concerns about the level of resources deployed in the Joint Office.	Supports Option 1 - removing the BMPoLR from the new Gas Distribution company's licence.	Supports - believes that the existing arrangement is fit for purpose.	Would like to see more transparency & accountability in Xoserve.	Questions whether the sale is in the interest of the consumer and refers to a study carried out by the National Audit Office. Would also like to understand the pension arrangements for Xoserve staff & the implications of the sale on these.	Points raised on the Joint Office and BMPoLR are answered in the Response Document. We are currently reviewing pension arrangements for Xoserve staff but do not anticipate any change.
British Gas: Andy Manning & other Commercial Managers	N/A	N/A	N/A	N/A	N/A	National Grid Stakeholder Team met with British Gas Commercial Managers on 3/3/16. British Gas are comfortable with the overall approach.

Organisation/Name	Joint Office of Transporters	Backstop meter provider of last resort obligation (BMPoLR)	0800 Emergency Number Provision	Xoserve	Adhoc	Action
EDF Energy: Diego Sanchez-Lopez (Corporate Policy & Regulation)*	Supports - there should be no change to the Joint Office function as a result of the Gas Distribution sale.	Supports option 1 - feels that there will be minimal changes required to the existing Gas Transporter obligations.	Believes the duty to provide the 0800 number is with National Grid Gas Plc. It is important that there is no impact on customers.	Supports - does not anticipate any changes to the services Xoserve provide as a result of the proposed Gas Distribution sale.	Would welcome clarification as to whether a cost benefit assessment will be undertaken to identify any impacts to the industry and consumers as a result of the Gas Distribution Sale.	The point raised on the 0800 number is answered in the Response Document.
Alan Whitehead (Shadow Energy Minister) - Utility Weekly publication	N/A	N/A	Feels that a separate body should be created to run 0800 Service, or a consortium formed by the Gas Distribution operators.	N/A	N/A	The point raised on the 0800 number is answered in the Response Document.
North London Highway Agency: Steve Bender (Streets Works Manager - City of London)	N/A	N/A	N/A	N/A	Would like an understanding if there will be any changes to the replacement/connection when emergency works are undertaken in London.	The point raised on the 'Street Works' is answered in the Response Document.
Leicestershire Highway Agency: Hilary Powell (Traffic Operations)	N/A	N/A	N/A	N/A	Would like confirmation that there will not be any changes to the EToN (Electronic Transfer of Notices) system.	The question raised on the EToN system is answered in the Response Document.
West Midlands Highway Agency (Shropshire County Council):	N/A	N/A	N/A	N/A	No issues with the Consultation Document & interested in receiving key updates on the Gas	Comment noted.

Organisation/Name	Joint Office of Transporters	Backstop meter provider of last resort obligation (BMPoLR)	0800 Emergency Number Provision	Xoserve	Adhoc	Action
Ffion Horton					Distribution sale.	
UIA (Utilities Intermediaries Association): Peter Thompson*	Would like Ofgem to underwrite the proposal, to ensure any risk element relating to the funding of the Joint Office will be managed when the Gas Distribution business is sold.	Supports option 1.	Opposes this service being moved to a third party - feels it should remain within a regulated body such as National Grid Gas PLC.	N/A	Outside the sale he raises concerns about issues third parties have in gaining access to information on Xoserve systems.	A meeting has been arranged with Peter Thompson (UIA) and National Grid's Stakeholder Team to discuss the points raised.
MEUC (Major Energy Users Council): Eddie Profitt	N/A	N/A	N/A	N/A	Concerned that Gas Distribution will stop its leadership of the industry in FGO & Nexus	Points discussed and covered by Stakeholder Team.
ENA (Energy Networks Association): Paul Abreu (Business Lead - Smart Metering)	N/A	N/A	N/A	N/A	Didn't understand the implication of the 'majority sale'.	The point raised regarding the 'majority sale' is explained in the Response Document. Meeting held with Stakeholder Team.

Organisation/Name	Joint Office of Transporters	Backstop meter provider of last resort obligation (BMPoLR)	0800 Emergency Number Provision	Xoserve	Adhoc	Action
IGEM*	Supports Proposal.	Supports option 1 - more seamless transition for the BMPoLR obligation	Should remain with the Gas Distribution business. Wants confirmation that the telephone number will remain.	No Concerns.	IGEM works closely with National Grid Transmission & Distribution, and would like this to continue with the new distribution owners following the sale.	The point raised on the 0800 number is answered in the Response Document.
B&Q: Alex Spreadbury (Energy Buyer)	Supports proposal.	Supports Option 1 - fairest and most impartial solution going forward.	Concerns where the 0800 service will reside post the Gas Distribution Sale. Feels that a central organisation should run the 0800 number.	No Concerns.	No other points to raise.	The point raised on the 0800 number is answered in the Response Document.

* Full response included in Appendix 2

Appendix 2: Individual stakeholder written responses

Other Gas Distribution Networks:

Northern Gas Networks Ltd



Northern Gas Networks Limited
Registered in England & Wales No 5167070
Registered Office
1100 Century Way
Colton
Leeds LS15 8TU
Tel 0113 397 5300

Kim Lynch
National Grid
(via e-mail)

4th March 2016

Stakeholder Consultation – sale of majority stake in National Grid's Gas Distribution Network Business

Our feedback on the four questions raised is as follows:

Do you agree with our proposals for the joint office?

Yes we agree with the proposed approach in relation to the joint office. We are interested in understanding the impact of the change on the joint office staff and whether this presents any risks in relation to the continuity of the services provided.

Which would be your preferred option for BMPoLR and why?

We have no strong preference so the option of leaving with National Grid Gas plc which affords the least amount of industry change seems to be the logical choice.

Do you believe the duty to provide the 0800 number should remain with the gas distribution business as a result of the gas distribution sale? If not, why?

The duty to provide the 0800 currently sits with NGG plc and is not specifically attributed in GSMR to either the distribution or transmission business. We believe the provision of the service should remain with NGG plc as this leaves the provision of a national service with a national organisation, is not attached to any particular distribution business which avoids potential discrimination issues and ensures long term protection against any further restructuring or further break-up of the distribution business which may be undertaken by the new owner.

Whether the obligation moves with distribution or supply we consider additional licence protections are required in the form of a duty to offer the service on reasonable terms.

Do you have any concerns regarding the services Xoserve provide as a result of the proposed gas distribution sale?

We have no concerns that the proposed sale will impact the services provided by Xoserve.



box.GDXHaveYourSay@NationalGrid.co.uk

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Celtic Springs	Celtic Springs
Coedkernew	Coedcernyw
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8th March 2016

WWU response to Stakeholder consultation - Sale of a majority stake in National Grid's Gas Distribution (NGGD) Network business

Dear Sir or Madam,

Wales & West Utilities is a licensed Gas Distribution Network (GDN) providing gas transportation services for all major shippers in the UK. We cover 1/6th of the UK land mass and transport gas to over 2.5 million supply points.

Thank you for the opportunity to provide "initial feedback" on the Sale of a majority stake in NGGD.

We agree that there are some key collaborative services that will be impacted by the majority sale of the NGGD networks. Our initial comments are below and hopefully future engagement is provided to support the future effective and efficient delivery of key collaborative services to our customers.

The key headlines of our response are as follows:

- **Joint Office of Transporters** – we broadly agree, whilst there will be some administrative changes, given the structure and application of existing Licence Obligations and industry governance, there is likely to be minimal impact on this service area.
- **Backstop Meter Provider of Last Resort (BMPOLR)** – Of the two options highlighted (Retention within retained National Grid Group (NGG) or inclusion within NGD Sold entity), we cannot state a preference as we need further detail in order to understand the full impacts on customers of the two options. There is insufficient detail within this initial document to state a preference.
- **0800 Number** – This is a key service provided that is linked to a key Primary Network Output funded and delivered on behalf of all Gas Distribution Networks. Again, of the two options highlighted, (retention within NGG or inclusion within NGD sold entity) it is difficult to state a preference as we, along with the other gas distribution networks will

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 Arogli nwy? Ffoniwch ni!

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All calls will be recorded and may be monitored
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 fe allant gael eu monitro



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 Registered Office:
 Wales & West House, Spooner Close, Celtic Springs,
 Coedkernew, Newport NP10 8FZ
 Registered in England and Wales number 5046791

need significantly more engagement to fully understand the detail of both options.

- **Xoserve** - We broadly agree minimal impact to service is likely as there are existing structures, obligations and governance arrangements that allow for change.
- **Other issues to consider** – In addition to key services covered within this consultation we highlight the following areas that the sale of four NG Gas Distribution Networks will need to be addressed / discussed with stakeholders:
 - Current and Future Cost and Output comparisons – How will transparency of cost allocations between sold and retained businesses be governed to ensure robust current 8 year RII0 GD1 comparisons as well as future comparisons for future price controls
 - Transparency of “Costs of Sale”, so that the regulator is able to allow / disallow costs so as not to distort any comparisons with other networks
 - The future relationship between the retained NG group and the sold (majority stake of NGD). Again, it will be important to ensure there is parity and transparency in the future relationship to ensure all distribution networks are treated equitably by the NTS within the retained group
 - There are a number of other detailed points that may require further engagement with stakeholders (including WWU) that are impacted. An initial list may include:
 - National Grid Property assets. Are these included or excluded from sale? These are scattered across the UK and our geographic area. If excluded what is the future for these?
 - Access and Easements for shared sites – what mutual dependency exists? there may be agreements with third parties effected
 - Satellite / telemetry for shared sites – how will these be handled?
 - We will need to review any legacy or proprietary systems that will be included/impacted by the sale? We will need to review how we use/access/feed/draw information from these

The remainder of this “initial feedback” provides some points for consideration that we hope will provide guidance for future stakeholder input in order to develop the appropriate outcomes on the **0800 service provision** and the **Backstop Meter Provider Service** for our customers.

- There will be advantages / disadvantages along with risks and issues with the decisions and ultimately National Grid will have to implement its decisions. Our input will be based on the goal of delivering future services that are most effective and efficient for customers. There is currently a good working relationship between GDNs and we hope this continues during this process and into the future.
- Given the importance of both services, and the fact that both are carried out on behalf of a number of Gas Distribution Networks there must be a robust engagement plan as part of the sale process to fully assess the options and the potential impacts.

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- To allow stakeholders to make an informed decision on the options of the key 0800 and MPOLR services It would be helpful for National Grid to:
 - develop and share assessment criteria to compare the options
 - provide sufficient detail that will allow the impacts GDNs and other relevant stakeholders to input to the decision making process
 - develop and publish a timetable for specific engagement on these two important services
- We note that the consultation recommends the NG group retains the BMPOLAR service but moves the 0800 service with the sold entity. At a high level, this may be intuitively right but we are unable to support these options at this stage as there is insufficient detail to inform our position. We must aim to deliver the options that promote effective management of costs and services for customers and support transparent comparisons across Gas Distribution.

In conclusion, we thank NG for this opportunity to provide initial feedback but as a significantly impacted stakeholder with joint responsibility for providing the key services highlighted there must be further detailed engagement before we could state a position.

We have also highlighted some other potential material issues for consideration.

We hope this initial feedback is helpful in shaping future work and we look forward to engagement with NG during this process.

For the avoidance of doubt, this response may be published in full. Please use myself as a key contact within Wales & West Utilities to take forward the issues raised within this response.

Yours faithfully,



Steve Edwards
Director of Regulation and Commercial
Wales & West Utilities

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Scotia Gas Networks and Chairman of the Gas Industry Safety Group (GISG)

Dear Sir/Madam

I write as Chairman of the Gas Industry Safety Group (GISG), in response to the consultation on the sale of a majority stake in National Grid's Gas Distribution Network business, but more specifically the national gas emergency number.

The national gas emergency number call centre sits in gas distribution, and GISG supports the transfer of this activity (and the statutory duty in the Gas Safety (Management) Regulations 1996 (GS(M)R)) to the new company.

GISG sees the sale as an opportunity to create a step change; first evolving the duty away from the named duty holder (British Gas plc – which is now National Grid Gas plc) and second, creating an opportunity for a review of GS(M)R that would include consideration of a new category of national gas emergency number service provider.

Last year GISG undertook a desk top exercise looking at GS(M)R which was submitted to the HSE.

The national gas emergency number – accessed through the memorable 0800 111 999 number – is widely known and is very easily found. The number is embedded within existing legislation (IE GS(M)R), in telephone directories, on energy bills, on thousands of fleet vehicles, on carbon monoxide detectors and on every gas meter throughout the UK. Each year the GDNs attend circa 3 million gas escape incidents from calls to this number.

The service for gas is delivered from a single national call centre that is also responsible for scheduling job orders for gas engineers to be in attendance at the site of the escape or issue within one hour.

In 2015 the E3C Gas Task Group reviewed the effectiveness of the 0800 111 999 emergency line number. This review covered the technical limits of the number, used by customers, to connect to the appropriate GDN during a gas emergency and what happened to a customer if the limit is exceeded. The review highlighted that the emergency number underpinned the fact that in 2015, 98.6% of uncontrolled gas emergency jobs were visited within the one hour standard and 98.6% of controlled gas emergency were visited within the two hour standard, this is represented in the table below.

2015	% of <u>Uncontrolled</u> gas emergency jobs attended to within the one hour standard	% of <u>Controlled</u> gas emergency jobs attended to within the two hour standard
GDN Average	98.6%	98.6%

In conclusion, GISG supports the transfer of national gas emergency number (and the statutory duty in the Gas Safety (Management) Regulations 1996 (GS(M)R)) to the new company.

Yours sincerely

Chris Bielby
Chairman
GISG

Independent Gas Transporters:

Association of Independent Gas Transporters



Wood Howe, Keldwyth Drive, Troutbeck Bridge, Windermere, Cumbria, LA23 1NJ

Tel: 07790 877148 E-mail john.barrett@aigt.org.uk Web: www.aigt.org.uk

10th March 2016

National Grid plc

Via e-mail to box.GDXHaveYourSay@NationalGrid.com

Dear Sirs

This letter is provided in response to National grid's Stakeholder consultation on the proposal to sell a majority stake in National Grid's Gas Distribution Network business. The response is provided by the Association of Gas Transporters which represents the interests of all IGTs.

Joint Office

We make no comments on the proposals for the Joint Office other than to say that maintaining effective governance must be a paramount in making any decision on future arrangements.

Backstop meter provider of last resort obligation

We would expect the Standard Special Conditions D17, D18 and D19 of the licence to reside with the relevant licensee. The obligations contained in Chapter 5, Special Conditions 5A and 5B of National Grid Gas Distribution's Licence do not, in our view, naturally sit in the Transmission business. Were the obligation to transfer to the new gas distribution company, it could be backed off through contracts with the relevant National Grid affiliate.

0800 Emergency Number Provision

Whatever arrangements are put in place it is essential that the current emergency response arrangements, which are available nationally for all licensees, are maintained and not diluted as a consequence of the sale. We note that National Grid confirm that this is their intent. There needs to be certainty that this will not change as the sale progresses. If the current limitation is removed from the GS(M)R, then there needs to be certainty about what the alternative arrangements are.

In the absence of any other tangible alternatives we support the proposal that the duty to provide the 0800 number should remain with the new gas distribution company.

Xoserve

We have no comment in respect of the impact that the proposed sale will have on the services provided by Xoserve.

Other Matters

Our principle concern is the effect that the proposed sale will have in respect of services provided to IGTs. From the information provided we do not believe that there will be any change as a consequence of the sale. We would welcome confirmation from National Grid that this is the case.

Yours faithfully,

A handwritten signature in black ink that reads "John Barrett". The signature is written in a cursive style with a large initial 'J'.

John Barrett
Secretary, Association of Independent Gas Transporters

Shippers/Suppliers

RWE npower PLC



Kim Lynch
 Gas Distribution Sale Team
 National Grid House
 Warwick Technology Park
 Gallows Hill
 Warwick
 CV34 6DA
 8 March 2016

Dear Kim,

Stakeholder consultation - Sale of a majority stake in National Grid's Gas Distribution Network business.

RWE npower welcomes the opportunity to respond to this consultation. We have responded to each of the questions asked at the end of each section, as set out below.

Joint Office of Gas Transporters – Do you agree with our proposals for the Joint Office?

We agree with your proposals for the Joint Office but we do have a number of follow up questions as a result of the information provided thus far.

At what stage will it be confirmed that this is the case? Whilst we would not expect to see the service received by parties change, the statement as currently worded in the consultation leaves parties open to the possibility that this may well happen.

Furthermore, the consultation states that resourcing of the Joint Office will remain "*largely unchanged*". When will it be confirmed that resourcing levels will be maintained to the level that they currently are and what arrangements will be implemented to ensure that the current knowledge base is maintained during and following the sale period? This question is important when considered against the potential that not all current staff (and therefore knowledge) will transfer across to the new distribution company.

We have no further comment on how this sale impacts the Joint Office on the basis that all other obligations (licence and funding) will transfer like for like to the new distribution company on completion of the sale.

Backstop meter provider of last resort obligation (BMPoLR) – Which would be your preferred option and why?

We agree with the conclusion in your consultation that Option 1 would be preferable as it would see the least change and would see a continuation to the services that are currently provided.

However, we would welcome further information on the services which are currently provided by National Grid Distribution that would transfer to the new company in relation to BMPoLR and any of the supporting processes. It would be useful to publish a list of obligations that are at present undertaken by National Grid Distribution showing on whom the obligations will sit following sale as some will remain with National Grid Metering whilst others will become the responsibility of the new distribution company.

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0800 Emergency Number Provision – Do you believe the duty to provide the 0800 number should remain with the gas distribution business as a result of the Gas Distribution Sale? If not, why?

Yes. We believe that this service should remain with the gas distribution business and therefore transfer to the new company following the sale activity. However, we would like to be kept informed of the discussions with the Health and Safety Executive to ensure that the outcome reached is desirable for all parties concerned. Our belief is that this responsibility remains with the gas distribution business and therefore this process should continue to operate in the way that it does at present.

Xoserve – Do you have any concerns regarding the services Xoserve provide as a result of the proposed Gas Distribution sale?

No. As set out in the consultation document, with the exception of the transfer of assets and shares, we do not see that the sale will result in any changes to how Xoserve operates. We would, however, expect the new distribution company to engage with the Xoserve Funding and Governance Overview programme in same manner as National Grid Distribution has to date.

Is there anything else you believe should be taken into account as part of the Gas Distribution sale? If so, what do you believe this to be?

We do not believe there are any other points for consideration at present. However, we would like to reiterate the comments made above that we would like further detail on how the level of expertise and knowledge will be maintained both during and after the sale to ensure the levels of service parties receive does not degrade as a result of the sale.

Should you require any further information or have any questions on the points made in our response then please do not hesitate to contact me.

Yours sincerely,

David Smith

1) Joint Office of Gas Transporters

ScottishPower is concerned to note that the consultation states that resourcing of the Joint Office is “expected to remain largely unchanged”. ScottishPower has concerns about the level of resources deployed within the Joint Office and their ability to manage the meeting schedule and workload of the gas industry. At the present time there are mainly only two staff who can chairing meetings, despite a continually expanding meeting schedule, including the development of the CDSP and the ongoing Nexus governance meetings.

ScottishPower believes, as with the changes currently being pursued to address the funding, governance and ownership (FGO) of Xoserve, that there is an opportunity to look accountability of the Joint Office. Although it is not clear, it appears that the staff of the Joint Office are all provided by National Grid, rather than all Transporter Licensees. We note that the JGAC is referenced within the documentation and National Grid expect that the same representative of National Grid Distribution will remain on the group to oversee the Joint Office. ScottishPower believes that at this time it would be beneficial to look at Shipper representatives on the JGAC to make the Joint Office more accountable to Shippers. Equally it would be an opportune time, considering the FGO discussions, to look at independent staffing of the Joint Office to ensure that there is accountability to all stakeholders, rather than a preference to Transporter employers – this is a particular concern if all of the Joint Office staff are National Grid employees.

At the same time ScottishPower believes that the change in ownership of National Grid Distribution, would be an ideal time to look at the provision of legal text arrangements under the Uniform Network Code. At the present time Transporters rotate this between them, with the Transporter directly liaising with the legal text provider, rather than the proposer. It would appear that there would be benefits in continuity and accountability, if the legal text provider was one entity (perhaps appointed by competitive tender) for a sufficient period of time and work with the proposer, rather than the Transporter (who may have different objectives).

2) Backstop Meter provider of last resort obligation

ScottishPower supports Option 1 and believe that introducing option 2 would be discriminatory to the new owner of the Distribution businesses.

3) 0800 Emergency Number

ScottishPower believes that the existing arrangement, with a National Brand and single telephone number covering all network customers and situations, is fit for purpose and ensures that customers have a single point of contact, irrespective of region. We therefore are pleased to see that there are no changes proposed in this regard. Any proposed changes to this service could be confusing for customers and could mean that Suppliers have to change literature used in communicating this vital service to their customers (including bill communications and livery).

4) Xoserve

ScottishPower is engaged in the FGO process and believe that it should deliver the changes necessary to increase accountability and transparency of Xoserve. However we would like clarification of the pension arrangements for Xoserve staff, as we understand that they are

entitled to the National Grid Gas scheme and would like to understand what implications, if any the sale process would have on this arrangement and any liabilities.

5) Other matters

ScottishPower believes, that as with the sale of the initial assets that seen the creation of the current Licensees in 2006, that there should be a consideration of whether or not the sale is in the interest of the consumer. We would draw attention to the study by the National Audit Office, following the last sale process to see where lessons can be learned in the process. The report from the NAO can be found here: <https://www.nao.org.uk/report/the-office-of-gas-and-electricity-markets-sale-of-gas-networks-by-national-grid/>

Regards

Colin

Colin Blair

Iberdrola Group/ScottishPower Retail & Generation

Energy Commercial Manager, Retail Regulation

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✉ Colin.Blair2@ScottishPower.com



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Email to: box.GDXHaveYourSay@NationalGrid.com

8 March 2016

Sale of a majority stake in National Grid's Gas Distribution Network business

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to comment on your initial stakeholder consultation on the sale of National Grid's majority stake in its Gas Distribution Network business. We are overall supportive of National Grid's initial proposals given assurance that there should be no impact on industry parties as a result of National Grid's strategic decision to divest some of its business. However, we would welcome a more detailed impact assessment of the proposed changes on consumers.

We believe that further clarification is required on what is proposed for the 0800 Gas Emergency number and Xoserve. Our detailed responses are set out in the attachment to this letter.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Natasha Ranatunga on 020 3126 2312, or me. I confirm that this letter and its attachment may be published on National Grid's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Cox'.

Mark Cox
Head of Transmission and Trading Arrangements

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This correspondence is a corporate communication issued by EDF Energy plc on behalf of EDF Energy Holdings Limited, (Reg. No. 06930266) and its subsidiaries



Attachment

Sale of a majority stake in National Grid's Gas Distribution Network business

EDF Energy's response to your questions

Q1. Do you agree with our proposals for the Joint Office?

We agree that there should be no change to the Joint Office function as a result of the separation of National Grid's Distribution and Transmission regulated businesses.

Q2. Which would be your preferred option and why?

We prefer option 1 as it appears that there will be minimal changes required to existing Gas Transporter obligations.

Q3. Do you believe the duty to provide the 0800 number should remain with the gas distribution business as a result of the Gas Distribution Sale? If not, why?

The duty to provide the 0800 number is with National Grid Gas Plc, it made a business decision to meet this obligation via NG Distribution.

National Grid has not set out the rationale as to why changing the Duty Holder in the Regulations is more appropriate and effective than meeting its obligation via NG Transmission. Nor has National Grid set out the rationale as to why the new gas distribution company would be the appropriate entity rather than via NG Transmission to continue to provide this service.

This is a critical service to consumers and it is important that if any changes in responsibility for manage the service result from this sale that this is managed with no impact on consumers,

Q4. Do you have any concerns regarding the services Xoserve provide as a result of the proposed Gas Distribution sale?

We do not anticipate that there would be any changes to the services Xoserve provide as a result of the proposed Gas Distribution sale. However, the 2005 Gas Distribution sale required EDF Energy to re-sign a number of agreements with Xoserve; we believe that National Grid should set out what shippers and suppliers will be required to do as a result of the sale as soon as reasonably practicable.

Q5. Is there anything else you believe should be taken into account as part of the Gas Distribution sale? If so, what do you believe this to be?

We would welcome clarification as to whether a cost benefit assessment will be undertaken to identify any impacts to industry and consumers as a result of the Gas Distribution Sale. This was undertaken in advance of the 2005 Gas Distribution sales.

**EDF Energy
March 2016**

Industry Bodies

UIA (Utilities Intermediaries Association)

Peter Thompson here of the Utilities Intermediaries Association (UIA)

Thank you for the further prompt to reply to the consultation.

In general the further splitting up of National Grid to move the money to America is not a principle I support. I think it reflects badly on National Grid and brings into question, which will be the next part of the structure to be separated out and sold?

However it is not my decision so I will dedicate the rest of my comments to the questions you wish to be answered.

1. Join Office.

One point I would make is that the equation used as the funding model for the JO in the body of the text is incorrect.

You have it as:-
$$\frac{\text{Aggregate Approved Expenditure} \times \text{Number of Networks Owned}}{\text{Nine}}$$

I believe it should be
$$\frac{\text{Aggregate Approved Expenditure}}{\text{Nine}} \times \text{Number of Networks Owned}$$

My response to the question:- **Do you agree with our proposals for the Joint Office?** My agreement to the proposal rests purely on the longevity of the arrangement. I consider it should be Ofgem's responsibility to underwrite the proposal which would be the most appropriate method of setting the continuum in place. Leaving the risk element of not being properly funded or the funding changed inappropriately which arises through the abdication of the present owner of four parts into the hands of those who have little responsibility for the continuum, should be managed by a decision by Ofgem to retain the status quo.

2. Backstop meter provider of last resort obligation (BMPoLR)

The gas consumer / customer is the most important person in the industry. The arrangements to provide a meter is in order that the use of gas can start or continue in the situation where a meter is required or where a replacement is required in order to remove the obstacle to ensure that gas can be used continually. These processes were in place as meter competition was instigated and nothing has changed to require those processes to cease.

The meter provider of last resort obligation (MPoLR)

While the numbers of dumb meters is reducing the benefit of having an obligation to provide a meter of last resort allows the point I mention above, for the continual use by the customer of the fuel they need.

BMPoLR

This obligation should in fact be required of every DNO so that customers receive the equitable high standard of service across the UK and it not be eroded as an opportunity presented by any changes to the ownership by Nat Grid of the four networks. Further the move to SMART meters should not reduce the level of obligation, as any customer should have the use of the fuel and have the meter replaced / fitted as necessary whether Dumb or Smart as a matter of urgency.

Which would be your preferred option and why? The straight answer is an emphatic, Option One.

As stated the customer should be oblivious to the changes to ownership within the industry but should be equitably treated where ever they live. Raising the standard to the level of the best should be the aim and objective and change should not be used as a reason to go for the lowest common denominator.

3. 0800 Emergency Number Provision

The terms within the text of your Stakeholder consultation as follows:-

The solutions that we are discussing with the Health and Safety Executive include creating the flexibility for future changes in the duty holder, so that the current limitation in GS(M)R is removed. This would facilitate the duty holder being either a category of persons or perhaps more widely, any suitable person possessing appropriate skills, resources and expertise, that might wish to be a provider of this service.

Worry me and fill me with concern for the General Public and employees in particular who undertake this most fundamental work.

I oppose the removal to a third party in the strongest of terms. The responsibility of this aspect of the gas industry is fundamental to the trust of the public and the marketing of a fuel which has the potential to kill.

The ownership of the responsibility for such a part of the business should not be handed to any organisation which is focused on profit, but to a regulated body such as National Grid Transmission (NGT) who have a duty and responsibility to maintain a focus on this aspect of the work of dealing with escapes and emergency's which no other body has.

If meters, a much lower order of priority, can be retained within the body then how much more should the handling consistently across the country of calls from the general public about a potential killer. Who else has the **"suitable person possessing appropriate skills, resources and expertise"** but the existing staff and the infrastructure which backs them up, underpinned by the regulated industry, NGT which has the most knowledge to support.

4. Xoserve

Do you have any concerns regarding the services Xoserve provide as a result of the proposed Gas Distribution sale?

It is interesting that in the body of the text which sets out the background / assurances, the words used are:-

Save for the ownership change set out above it is expected there will be no impact to Xoserve or the services it provides as a result of the Gas Distribution Sale.

The question in the consultation above seems to go against this and actually begs the question regarding **'concerns regarding the services Xoserve provide'**. I would say, if things don't alter, they will stop as they are, and that seems an admirable position to remain. However is there an assumption in the writers mind that things will change, but which have been held from the recipients of the Consultation and therefore on which they are unable to comment. Otherwise the question is irrelevant.

5. Other matters necessary for Gas Distribution Sale

Is there anything else you believe should be taken into account as part of the Gas Distribution sale? If so, what do you believe this to be?

Referring to point 4 above and the Services provided by Xoserve. There has been for some time a concern by those in the industry, Third Party Intermediaries who work on behalf of customer's and who require correct information, i.e. that which is held on Xoserves systems, that there is no process to obtain that information on the customers behalf, even though the customers express wish is defined in their Letter of Authority.

The 'correct information' is required in those instances where the incumbent Supplier or the potential Supplier hold different information to that held on Xoserves systems. This prevents transfer to the customers new Supplier of choice.

While this is something not directly associated with the sale of the four DNO's by National Grid, it is viewed as an ever worsening soar by those frustrated by the absence of such a process. I trust this can be raised in the appropriate arena.

If the Consultation is to be of assistance to the wider industry then it may be that others who have replied, will have encapsulated their additional views, in the same way as I have and those may form a bigger picture than the pure answers to the specific points 1 to 5.

Regards

Peter N Thompson
Non Exec Director

Utilities Intermediaries Association

www.uia.org.uk

Thank you for allowing IGEM an extension in a reply regarding the consultation for the gas distribution sale for National Grid Gas Plc. Please see below a response from IGEM in relation to the questions in the consultation document.

Question for stakeholders: Do you agree with our proposals for the joint office?

IGEM agree with the proposals for the joint office.

Question for stakeholders: Which would be your preferred option and why?

IGEM would prefer Option 1 as this provides a more seamless transition for the BMPoLR obligation.

Question for stakeholders: Do you believe the duty to provide the 0800 number should remain with the gas distribution business as a result of the Gas Distribution Sale? If not, why?

The number should remain with the gas distribution businesses, however IGEM would like to propose the 0800 remains unchanged, in terms of a public safety point of view as this number is widely recognised. The sale document with the proposals does not currently state whether this number will remain unchanged.

Question for stakeholders: Do you have any concerns regarding the services Xoserve provide as a result of the proposed Gas Distribution Sale?

IGEM have no concerns regarding this issue.

Question for stakeholders: Is there anything else you believe should be taken into account as part of the Gas Distribution Sale? If so, what do you believe this to be?

IGEM currently work closely with National Grid both the Transmission and Distribution side and would seek the continued involvement and support from the new distribution owners following the sale.

Kind regards,

Bekkie Roughton - BSc (Hons), AIGEM

Technical Officer

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Appendix 3: Proposed Stakeholder Engagement Plan

	Stakeholder Panel	Networks	Shippers & Industry Bodies	Highway Authorities	UIP & IGT	Consumer Bodies	Customer
Purpose	Progress Updates and acting as a check point on the engagement itself	Ongoing engagement, plus update on any technical changes	Ongoing engagement, plus detail on relevant changes	Confirmation of how notification of utility works will take place for both National Grid Gas PLC (Transmission) & New Gas Distribution company	Ongoing engagement	Gain an understanding of the change	General update nearer to point of sale
Approach	Panel sessions and off line discussions	Via regulatory managers meeting	Shipper / Stakeholder Day including Round Table Discussions	Webinar or incorporated into a wider Stakeholder event	General meetings &/or incorporated into a wider Stakeholder event	Customer / Stakeholder Day including Round Table Discussions	TBC
Frequency	Quarterly	Quarterly	Late Spring / Autumn	Adhoc	Adhoc	Late Spring / Autumn	As required
Messages	General updates	No Fundamental change	No Fundamental change	No change for New Gas Distribution company & Confirmation with regards to National Grid Gas PLC (Transmission)	General updates	customers remain at the front of our thinking	No change just different name Services National Grid Gas PLC (Transmission)Provide Services New Gas Distribution company provide

Appendix 4: Proposed revised licence conditions

Licence Condition	Change to DN Licence Required?	Change to NTS Licence Required?	Other/Comments
DN Licence			
DN Licence SSC D17: Provision and return of Meters	N	Y	Based on response to National Grid's consultation that were supportive of the BMPoLR obligation being moved to transmission, a change is require to Copy from Part D of distribution licence and put into Part B of Transmission licence. This will ensure Distribution still have MPoLR obligations.
DN Licence SSC D18: Provision of Metering and Meter reading Services	N	Y	
DN Licence SSC D19: Non-discrimination in the provision of metering Activities	N	Y	
DN Licence SpC 1A: Revenue Restriction definitions	Y	N/A	Changes required to definition of distribution networks to remove 'NGGD' prefix.
Tables of Appendices of DN Licence SpC1B,1C,1D,1F,1H,3B,3D,3E,3F	Y	N/A	In order to future proof delete reference to NGGD leaving the geographic references to networks (EoE,Lon,NW,WM)
DN Licence SpC4A: Disapplication of Relevant Special Conditions and Relevant Metering Special Condition	N	N/A	Remains unchanged in DN licence, change required to NTS SpC11A to allow the disapplication of Metering Special Conditions
DN Licence SpC 4D: Restriction of prices in respect of Tariff Capped Metering Activities	N	Y	Based on response to National Grid's consultation that were supportive of the BMPoLR obligation being moved to transmission, a change is require to Copy from Part D of distribution licence and put into Part B of Transmission licence. This will ensure Distribution still have tariff cap for MPoLR obligation.
DN SpC 4E: Undertaking from ultimate controller concerning non-discrimination between DN and NTS	Y	N/A	Condition becomes redundant on hive out and therefore can be removed as licences no longer held by same legal entity
DN SpC 4F: Separation of NTS and DN businesses	Y	N/A	Condition becomes redundant on hive out and therefore can be removed as licences no longer held by same legal entity
DN SpC 5A: Provision of Meters	Y	Y	Remove from distribution licence and put into Transmission licence as this relates to BMPoLR and the assumption is that this obligation will be put on Transmission
DN SpC 5B: Provision of Terms	Y	Y	
DN Schedule 2: Revocation of Licence	Y	N/A	Triggers within paragraphs 1C,1D,1E,1F relate to distribution sales in 2005 and are now redundant

NTS Licence			
NTS SpC 1A: Definitions	N/A	Y	Changes are required to definitions relating to the BMPoLR obligation, these may be defined here or may defined within the new Conditions created to cover BMPoLR.
NTS SpC 2B: Calculation of allowed pass through items	N	Y	Change of percentage in 2B.6 (Business Rates) required, currently 39.4% of both Transmission and Distribution activity and will be 100% of just Transmission activity.
NTS SpC 10A: Undertaking from ultimate controller concerning non-discrimination between DN and NTS	N/A	Y	Condition becomes redundant on hive out and therefore can be removed as licences no longer held by same legal entity
NTS SpC 10B Separation of NTS and DN businesses	N/A	Y	Condition becomes redundant on hive out and therefore can be removed as licences no longer held by same legal entity
NTS SpC 10C Appointment and duties of the business separation compliance officer	N/A	Y	Condition becomes redundant on hive out and therefore can be removed as licences no longer held by same legal entity
NTS SpC11A: Disapplication of Relevant Special Conditions	N/A	Y	Replicate DN SpC4A with regard to Metering Special Conditions as BMPoLR transfer to NTS to allow disapplication of conditions with regard to metering
New NTS SSC Part B	N/A	Y	New Standard Special Conditions required within Part B to provide licence conditions relating to BMPoLR (copy of DN SSCD17,18 &19) and an additional condition to give effect to these new conditions
New NTS Special Condition	N/A	Y	New special condition to allow equivalent of DN Spc4D relating to Tariff Capped Metering Activities.
New NTS Special Conditions	N/A	Y	New special condition to replicate DN SpC5A & 5B with regard to BMPoLR obligation being placed on Transmission and a Special Condition to give effect to these BMPoLR special conditions

Appendix 5: Draft revised licence text

Proposed Revision of Metering Licence Conditions

Gas Distribution Licence

Commentary

At the outset it should be stated that the proposed revisions of the metering licence conditions set out in this paper are based on the assumption that the Meter Provider of Last Resort obligation will remain with NGG and so move from the RDN licence to the NTS licence. This assumption does not seek to prejudge the outcome of the NGG stakeholder consultation but such a proposal was generally supported by those responding to the consultation.

Standard Special Conditions D17 to D19 will remain as drafted in the NewCo Gas D licence to reflect the other DN licences and that the DNs still retain the Meter Provider of Last Resort (MPoLR) obligation. There is one small amendment that needs to be made to the definition of National Grid Gas plc in SSC D17 – as the Backstop Meter Provider of Last Resort (BMPoLR) obligation is going to be fulfilled by NGG and not NewCo, the reference to NGG's gas distribution business needs to be removed. As the definition of National Grid Gas plc is to remain in Special Condition 1A, we do not consider that there needs to be a specific reference here to which licence is being referred to for the definition to work.

Special Conditions 4A and 4D will also be retained in the NewCo Gas D licence, again as NewCo will still retain the MPoLR obligation and so it seems appropriate that it retains the price control and disapplication provisions. There are some outdated references to the Competition Commission in SC 4A which should be amended to Competition and Markets Authority.

Special Conditions 5A and 5B will be removed from the NewCo D licence as they refer specifically to the BMPoLR obligation which will be retained by NGG (in the NTS licence) and so are not applicable to the NewCo D Licence.

- (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
- 2. 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 33.5 (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

Standard Special Condition D18. Provision of Metering and Meter Reading Services

1. Before attending to any request from a supplier:
 - (a) pursuant to paragraph 1 of Standard Special Condition D17 (Provision and Return of Meters);
 - (b) in relation to the provision of metering services other than those provided pursuant to sub-paragraph (a) above); or
 - (c) in relation to the provision of meter reading services;the licensee shall provide to that supplier the terms provided for in paragraph 2.
- 1A. Where and to the extent that the licensee is required to provide services under sub-paragraph (a) of paragraph 1 above, it shall be the duty of the licensee to provide the services mentioned in that sub-paragraph on reasonable terms.
2. The terms referred to in paragraph 1 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 10 or unless manifestly inappropriate):
 - (i) to be presented in such a way as to be referable to the statements prepared in accordance with paragraph 5 of this condition, or any revision thereof; and
 - (ii) to be set in conformity with the requirements of paragraphs 4 to 7 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.
3. The licensee shall provide to the supplier such terms as are referred to in paragraph 2 above 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 any person of any application containing all such information as may reasonably be required for the purpose of formulating the terms of the agreement.

4. Except in so far as the Authority accepts otherwise, the licensee shall enter into agreements with suppliers for the provision of:
 - (a) gas meters pursuant to Standard Special Condition D17 (Provision and Return of Meters);
 - (b) metering services other than the provision of gas meters pursuant to sub-paragraph (a) above; or
 - (c) meter reading services,without variation to any terms provided in relation to a particular request from a supplier pursuant to paragraph 2.
5. 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 1 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 6.
6. The statements referred to in paragraph 5 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.
7. 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 5 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.
8. The licensee shall send a copy of the statements in accordance with paragraph 5, and of each revision of such statements in accordance with paragraph 7, to the Authority.

9. The licensee shall give or send a copy of the statements prepared in accordance with paragraph 5, or (as the case may be) of the latest revision of such statements in accordance with paragraph 7, to any supplier who requests a copy of such statement or statements.
10. The licensee may make a charge for any statement given or sent pursuant to paragraph 9 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.
11. 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 paragraphs 1(b), 1(c), 1A, 3 and 5 to such extent and subject to such terms and conditions as it may specify in that direction.
12. 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).

Standard Special Condition D19. Non-discrimination in the Provision of Metering Activities

1. The licensee shall avoid undue discrimination and undue preference between any persons or class or classes of persons in the provision of metering activities.
2. Without prejudice to paragraph 1 and subject to paragraph 4 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 5 of Standard Special Condition D18 (Provision of Metering and Meter Reading Services) 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.
3. Notwithstanding paragraph 2 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 5 of Standard Special Condition D18 (Provision of Metering and Meter Reading Services) on any supplier whose contract does not provide for him to receive the activity to which such item of charge refers.
4. The licensee shall not in setting charges in respect of metering activities restrict, distort or prevent competition in the supply or conveyance of gas.

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 disapplied 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 4D. 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.

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:

Activity	Description	Maximum tariff caps(M_t^A)
1	Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum	£14.68
2	Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum	£36.73
3	Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum	£500.10
4	Carrying out work to replace a Domestic	£78.67

Credit Meter with a Prepayment Meter , per
job undertaken

(b) For subsequent Formula Years:

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

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 D18 (Provision of Metering and Metering Reading Services) 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 1A of Standard Special Condition D18,

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 33.5 (The duty in relation to replacement meters and new customers) of the standard conditions of the Gas Supply licence.

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).

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 5B.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 5B.4 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 the 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.~~

Gas Transmission Licence**Commentary**

It is considered that the metering conditions, to manage the BMPoLR obligation that NGG will retain following the sale of its distribution business, will be contained within Part B of NGG's retained NTS licence. We have accordingly continued the numbering in Part B.

As all of these provisions are new to the gas transmission licence, we have marked them up in track changes for ease in doing the initial review to show where amendments have been made from the distribution licence wording – when published, we presume it will all be marked up as new drafting.

Those new conditions that are standard special conditions have had all definitions amended to be in lower case for consistency with the other standard special conditions.

- *SSC B6 replicates Special Condition 5A of the distribution licence. We have also included from paragraph 3 onwards of SSC D17 of the distribution licence, as we consider that Ofgem will want to see these equivalent provisions apply to NGG going forwards as they currently apply. The first paragraphs of SSC D17 we have removed as they refer to the MPoLR obligation and we do not consider that this is relevant to NGG being only the BMPoLR obligation holder following the sale. We have suggested paragraph 6 of SSC D17 not be included as we understand that this obligation of 2 year inspections was recently consulted upon by Ofgem and the obligation on suppliers was removed. Paragraph 7 of SSC D17 is also not included as this only refers to paragraphs 1, 1A and 2 of SSC D17 which have not been included here.*
- *SSC B7 replicates Special Condition 5B of the distribution licence. As Special Condition 5B predominantly replicates SSC D18 of the distribution licence, we have not sought to replicate SSC D18.*
- *SSC B8 replicates SSC D19 of the distribution licence.*

A new Special Condition 11G has been included. This replicates Special Condition 4D (Restriction of prices in respect of Tariff Capped Metering Activities) from the Distribution licence in recognition that such tariff caps will apply in respect of the BMPoLR resting with NGG as NTS licensee.

Special Condition 11A (Disapplication of Relevant Special Conditions) has been expanded to cater for the disapplication of the Relevant Metering Special Condition. This is as a consequence of the inclusion of the new Special Condition 11G(Restriction of prices in respect of Tariff Capped Metering Activities) and mirrors the

equivalent provisions within Special Condition 4A of the DN licence. There are some outdated references to the Competition Commission in SC 4A which should be amended to Competition and Markets Authority when replicated in Special Condition 11G.

Standard Special Condition B6. Provision of Meters

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 ~~s~~Smart ~~M~~metering ~~S~~system;
 - (b) an ~~A~~advanced ~~D~~domestic ~~M~~meter; or
 - (c) a ~~P~~prepayment ~~A~~advanced ~~D~~domestic ~~M~~meter.

2. Except in so far as the Authority otherwise consents, the ~~L~~licensee shall comply with any reasonable request by a ~~R~~elevant ~~G~~gas ~~T~~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 ~~M~~meter ~~A~~asset ~~M~~manager and install at the premises of a domestic customer, a gas meter owned by the ~~L~~licensee and of a type specified by the ~~S~~supplier subject, however, to a meter of that type being reasonably available to the ~~L~~licensee and the ~~S~~supplier agreeing to pay the ~~L~~licensee's charges in respect of that meter.

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. Subject to any direction given by the Authority, paragraphs 3 to ~~65 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 ~~s~~Smart ~~m~~Metering ~~s~~System must be fulfilled).

Standard Special Condition B7. Provision of Terms

~~SB.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 ~~S~~smart ~~M~~metering ~~S~~system;
- (b) an ~~A~~advanced ~~D~~domestic ~~M~~meter; or
- (c) a ~~P~~prepayment ~~A~~advanced ~~D~~domestic ~~M~~meter.

~~SB.2.~~ Where the ~~L~~icensee receives a request from a ~~R~~elevant ~~G~~gas ~~T~~ransporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, the ~~L~~icensee shall provide to the ~~S~~upplier the terms provided for in paragraph ~~SB.4~~.

~~SB.3.~~ Where the ~~L~~icensee is required to provide the services described in paragraph ~~SA.2~~ of standard special condition B6, it shall be the duty of the ~~L~~icensee to provide those services on reasonable terms.

~~SB.4.~~ The terms referred to in paragraph ~~SB.2~~ are the ~~L~~icensee'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 ~~SB.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 ~~S~~~~SB.6~~ of this condition, or any revision thereof; and
 - (ii) to be set in conformity with the requirements of paragraphs ~~SB.5~~ to ~~SB.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.

~~SB.5.~~ The ~~L~~icensee shall provide to the ~~S~~upplier such terms as are referred to in paragraph ~~SB.A.4~~ 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 ~~L~~icensee from the ~~R~~elevant ~~G~~gas ~~T~~ransporter 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 ~~L~~icensee 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 ~~S~~upplier 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 (~~W~~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 ~~L~~icensee may periodically review the information set out in and, with the approval of the Authority, alter the form of the statements prepared ~~i~~n 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 ~~L~~icensee 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 ~~L~~icensee shall give or send a copy of ~~the~~ statements prepared in accordance with paragraph ~~5B.6~~, or (as the case may be) of the latest revision of such statements ~~i~~n accordance with paragraph ~~5B.8~~, to any ~~S~~upplier following a request from a ~~R~~elevant ~~G~~as ~~T~~ransporter, 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.

~~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 this condition 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 standard special conditions B6 and B7 ~~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 standard special conditions B6 and B7 ~~Chapter 5~~:

<u>A</u> advanced <u>D</u> omestic <u>M</u> 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 ¹ licence
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<u>M</u> meter <u>A</u> sset <u>M</u> anager	has the same meaning as that provided in paragraph 1A of Standard Special Condition D 17(Provision and Return of Meters) <u>of the DN operator gas transporter licence-in respect of the RDNs</u> .
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Prepayment **A**dvanced **D**omestic **M**eter

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

Relevant **G**as **T**ransporter-

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

Smart **M**etering **S**ystem

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 **S**upplier in standard special conditions B6 and B7 ~~this Chapter~~ are a reference to the **R**elevant **S**upplier (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 in respect of the RDNs, and which forms the basis of a request from a **R**elevant **G**as **T**ransporter to the **L**icensee, pursuant to paragraph 2(b) of Standard Special Condition D 17 of the DN operator gas transporter licence in respect of the RDNs.

Standard Special Condition B8. Non-discrimination in the Provision of Metering Activities

1. The licensee shall avoid undue discrimination and undue preference between any persons or class or classes of persons in the provision of metering activities.
2. Without prejudice to paragraph 1 and subject to paragraph 4 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 56 of Standard Special Condition D18B7 (Provision of ~~Metering and Meter Reading Services~~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.
3. Notwithstanding paragraph 2 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 56 of Standard Special Condition D18B7 (Provision of ~~Metering and Meter Reading Services~~Terms) on any supplier whose contract does not provide for him to receive the activity to which such item of charge refers.
4. The licensee shall not in setting charges in respect of metering activities restrict, distort or prevent competition in the supply or conveyance of gas.

Special Condition 11A. Disapplication of Relevant Special Conditions and Relevant Metering Special Condition

Introduction

11A.1. The purpose of this condition is to enable the Licensee to make a formal request for the disapplication of the Relevant TO Special Conditions ~~or~~ Relevant SO Special Conditions or Relevant Metering Special Condition (in whole or in part) and for such provisions to be disapplied following such a request in the circumstances specified below.

Part A: Conditions are to continue subject to disapplication

11A.2. The Relevant TO Special Conditions ~~and~~ Relevant SO Special Conditions and 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) 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 TO Special Conditions ~~or~~ Relevant SO Special Conditions or Relevant Metering Special Condition (in whole or in part) is terminated by notice given by the Licensee in accordance with the provisions of Part D below.

Part B: Procedure for making a Disapplication Request

11A.3. The Licensee may ask the Authority to consent to the disapplication of the Relevant TO Special Conditions ~~or~~ Relevant SO Special Conditions or Relevant Metering Special Condition (in whole or in part) by serving a Disapplication Request on the Authority under this condition.

11A.4. A Disapplication Request must:

- (a) be in writing and addressed to the Authority;
- (b) specify which of the Relevant TO Special Conditions, Relevant SO 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 TO Special Conditions ~~or~~, Relevant SO Special Conditions or Relevant Metering Special Condition (or any part or parts of them) would cease to have effect (the “Disapplication Date”); and
- (f) specify which part of the Transportation System the request relates.

11A.5. A Disapplication Request served under this condition may be served in respect of a specified geographical area.

11A.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 will be treated for the purposes of paragraph 11A.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 11A.8 below, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

11A.7. The Licensee may withdraw a Disapplication Request at any time.

Part C: Date from which a disapplication may take effect

11A.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 the service on the Authority of the Disapplication Request.

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

11A.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

11A.10. The circumstance referred to in paragraph 11A.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 TO Special Conditions ~~or~~ Relevant SO 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 Notice under paragraph 11A.9 in respect of the relevant Disapplication Request.

Part F: Termination after involvement of the Competition and Markets Authority Commission

11A.11. The circumstance referred to in paragraph 11A.9(b) above is that the Authority has published a decision as described in paragraph 11A.10(a) or 11A.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 ~~Commission and Markets Authority~~, 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 ~~Commission and~~ Markets Authority quashes the decision in the circumstances described in paragraph 11A.11(b) above.

The following definition will need to be added to Special Condition 1A (Definitions)

"Relevant Metering Special Condition" means Special Condition [11G] (Restriction of prices in respect of

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Tariff Capped Metering Activities)

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Special Condition 11G. Restriction of prices in respect of Tariff Capped Metering Activities (equivalent of Special Condition 4D of the RDN licence).

1. The purpose of this condition is to set out the tariff caps on certain ~~M~~metering ~~A~~activities.

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:

- (c) 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:

Activity	Description	Maximum tariff caps(M_t^A)
1	Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum	£14.68
2	Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum	£36.73
3	Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum	£500.10

- 4 Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter , per job undertaken £78.67

(d) For subsequent Formula Years:

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

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 B7 (Provision of Terms) ~~D18 (Provision of Metering and Metering Reading Services)~~ 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:

- (c) in consequence of that supplier having wholly or partly disposed of its meters; or
- (d) where it reasonably considers that the departure is necessary to comply with its duty in paragraph ~~1A[3]~~ of Standard Special Condition B7 (Provision of Terms) ~~D18~~,

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:

- (c) 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
- (d) 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 33.5 (The duty in relation to replacement meters and new customers) of the standard conditions of the gGas 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 sSmart mMetering sSystem must be fulfilled).~~

The following definition will need to be added to Special Condition 1A (Definitions)

“Tariff eCapped mMetering
aActivities”

means those activities provided by the
Licensee listed in paragraph 3 of
Special Condition ~~4D~~[11G]
(Restriction of prices in respect of

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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;

