

Notice under Section 23(3) of the Gas Act 1986

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23(3) of the Gas Act 1986 ("the Act") as follows:

1. The Authority proposes to modify Special Licence Condition 31 contained in the Public Gas Transporter Licence of Transco plc granted under section 7 of the Act by introducing new paragraphs, paragraphs 31.2(3) – 31.2(4).
2. The reasons why the Authority proposes to make these licence modifications and their effect were published by the Authority in the following documents:
 - (a) *Rates on Gas Meters: Initial Consultation Document, May 2003*
 - (b) *Rates on Gas Meters: Decision Document, September 2003*

In summary, the effect of the modification now proposed is to change special condition 31 to reduce the price control on the provision and maintenance of domestic credit meters and the provision and maintenance of prepayment meters by an amount to reflect the transfer of the recovery of rates to the transportation charges.

3. The proposed modification to Special licence Condition 31 can be found in the schedule to this notice.
4. Copies of the documents referred to in paragraph 2 are available (free of charge) from the Ofgem Library, 9 Millbank, London, SW1P 3GE (020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
5. Any representations or objections with respect to the proposed modifications may be made on or before 27 November 2003 and should be addressed to David Howdon, 9 Millbank, London, SW1P 3GE [(020 7901 7420)] or david.howdon@ofgem.gov.uk

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John Neilson
Managing Director, Customers and Supply
Duly authorised on behalf of the Authority

30 October 2003

Schedule to Notice under Section 23(3) of Gas Act 1986

Proposed Modification to the Special Conditions of the Public Gas Transporter Licence of Transco plc

Special Condition 31

In special condition 31.2 (2) after “Otherwise” insert:- “, prior to the formula year commencing 1 April 2005”

After the end of special condition 31.2 insert:-

(3) In respect of the formula year commencing 1 April 2005 and subsequent formula years the value of M_t^A shall be determined using the following formulae:

(i) For Activity 1 and 2 the value of M_t^A will be calculated using the following formula:

$$M_t^A = (M_{t-1}^A + (M_{t-1}^A \times RPI_t)) - R_t$$

(ii) For Activity 3 and 4 the value of M_t^A will be calculated using the following formula:

$$M_t^A = M_{t-1}^A + (M_{t-1}^A \times RPI_t)$$

(4) In respect to the formula year commencing 1 April 2005, the value for R_t shall be calculated using the following formula:

$$R_t = \pounds 1.10 + (\pounds 1.10 \times RPI_r_t) \text{ (rounded up or down to the nearest penny)}$$

(i) Where:

RPI_r_t means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from June to November (both inclusive) in the year 2001 and of the arithmetic average of the retail price index numbers published or determined in each of the six months from June to November (both inclusive) in the year 2004.

(ii) In respect of the formula year commencing 1 April 2006 and subsequent formula years the value for R_t shall be zero.