

To: All holders of a gas suppliers licence

MODIFICATION OF ALL GAS SUPPLIERS LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 7A OF THE GAS ACT 1986 BY THE INTRODUCTION OF NEW STANDARD CONDITION 34A

Whereas

- 1) Each of the companies to whom this document is addressed (each a “gas supplier”) holds a gas suppliers licence granted or treated as granted under section 7A of the Gas Act 1986 (“the Act”).
- 2) Pursuant to section 23 (3) of the Act, the Gas and Electricity Markets Authority (“the Authority”) gave notice on 30 April 2004 that it proposed to modify the standard conditions contained in the gas suppliers licences of all gas suppliers by introducing standard condition 34A containing paragraphs 1 to 6, which have the effect described in paragraph 4 of this notice.
- 3) Pursuant to section 38A of the Act, the reasons for making the licence modifications are those stated in the:
 - a. Gas supply market: governance arrangements - Summary of Responses and Way Forward, published December 2001;
 - b. Gas retail Governance - Further Consultation, published June 2003;
 - c. Gas Retail Governance - Final Proposals, published in March 2004;
 - d. Gas Retail Governance - Decision Document, published in April 2004; and
 - e. Notice under section 23 (3) of the Act, which was given on 30 April 2004 (the “Notice”)
- 4) In summary, the effect of the modification is to add Standard Condition 34A which states the scope and relevant objectives of a supply point administration agreement (“the SPAA”) and includes a requirement for domestic suppliers to become parties to, and thereafter comply with, the SPAA.
- 5) Copies of the documents referred to in paragraph 3 are available (free of charge) from the Ofgem library, 9 Millbank, London SW1P 3GE (telephone 020 7901 7003) of the Ofgem website at www.ofgem.gov.uk.
- 6) The Authority gave notice to the Secretary of State of its intention to make the modifications and did not receive from her a direction not to make any modification.
- 7) Prior to the end of the consultation period in respect of the Notice, the Authority received 14 responses, 8 of which constituted formal objections. All non-confidential responses have been placed in the Ofgem library and on Ofgem’s website.

- 8) The Authority has carefully considered in relation to the proposed modifications, representations or objections which were duly made and not withdrawn.
- 9) Two minor drafting changes were identified as necessary to correct typographical errors in the proposed licence modification consulted upon under the Notice. Having carefully considered the changes and having regard to its powers under section 23 of the Act, the Authority has decided to incorporate the changes without further consultation and considers that these changes fall within section 23 of the Act.

Now Therefore

In accordance with the powers contained in section 23 (1) of the Act, the Authority hereby modifies the standard conditions of all Gas Suppliers Licences as set out in the attached Schedule 1 with effect on and from 11 June 2004.

The official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



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John Neilson
Managing Director, Corporate Affairs
Duly authorised on behalf of the Authority
11 June 2004

SCHEDULE 1

ADDITION OF STANDARD CONDITION 34A, CONTAINING PARAGRAPHS 1 TO 6

Condition 34A. The Supply Point Administration Agreement

1. The licensee shall, in conjunction and co-operation with all other suppliers, prepare, maintain and be a party to a form of agreement to be known as the Supply Point Administration Agreement, as may be designated by the Authority for the purposes of this condition generally, being a document
 - (a) designed to facilitate achievement of the relevant objectives set out in paragraph 4; and
 - (b) including the modification procedures and other matters required by paragraphs 5 and 6.
2. The licensee shall comply with the relevant provisions of the Supply Point Administration Agreement.
3. The Supply Point Administration Agreement shall be an agreement made between:
 - (a) on the one part, the licensee and all other gas suppliers to whom this condition applies; and
 - (b) on the other part, such other persons as are necessary parties, as determined by parties to the agreement.
4. The relevant objectives referred to in paragraph 1(a) are:
 - a) the development, maintenance and operation of an efficient, co-ordinated and economical change of supplier process;
 - b) the furtherance of effective competition between gas suppliers and between relevant agents;
 - c) the promotion of efficiency in the implementation and administration of the supply point administration arrangements; and

- d) so far as is consistent with sub-paragraphs (a), (b) and (c), the efficient discharge of the licensee's obligations under this licence.
5. The Supply Point Administration Agreement shall contain:
- a) provisions for admitting as an additional party to the Supply Point Administration Agreement any person who accepts the terms and fulfils the conditions (each as specified in the Supply Point Administration Agreement) on which accession to the Supply Point Administration Agreement is offered;
 - b) provisions for the licensee to refer to Ofgem for determination, whether of its own motion or as provided in the Supply Point Administration Agreement, any dispute which shall arise as to whether a person seeking to be admitted as a party to the SPAA has fulfilled any accession conditions; and if Ofgem determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the Supply Point Administration Agreement;
 - c) arrangements enabling modification of the Supply Point Administration Agreement:
 - (i) so as to better facilitate the achievement of the relevant objectives as set out in paragraph 4; and
 - (ii) following consultation with the parties, or representatives of the parties, to that agreement and other interested parties.
 - d) provisions (which shall be approved in advance by Ofgem) by virtue of which specified parts of the Supply Point Administration Agreement shall not be capable of modification without the prior approval of the Authority;
 - e) provisions enabling parties to the Supply Point Administration Agreement to appeal against any proposed modification of the Supply Point Administration Agreement to the Authority for determination;

- f) provisions for the Authority to be furnished with a copy of any modification which is made; and
 - g) provisions for a copy of the Supply Point Administration Agreement and accompanying schedules to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy.
6. The licensee shall take all reasonable measures to secure and implement (consistently with the procedures applicable under or in relation to the core industry documents to which it is party (or in relation to which it holds rights in respect of amendment)), and shall not take any steps to prevent or unduly delay, such changes which are appropriate in order to give full and timely effect to any modification which has been made to the Supply Point Administration Agreement.