

Notice under section 6A of the Gas Act 1986

Gas licence exemptions

September 2010

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Notice under section 6A of the Gas Act 1986

Introduction

Licence exemptions under the Gas Act 1986 enable the conveyance, supply and shipping of gas to occur without the need for a licence. Whilst the licensing of gas market participants is important to ensure security of supply, safety and the protection of consumers, there are some circumstances where the requirement to hold a licence will be excessive and onerous. These include situations such as the operation of short pipelines connecting gas import terminals with the pipeline of a licensed gas transporter. They also include the operation of very small networks such as in caravan sites. Some licence exemptions only apply during a specific situation, such as an emergency, in order to safeguard supply.

A number of exemption orders have been made since 1996. The exemptions found in The Gas Act 1986 (Exemptions) (No 1) Order 1996 (1996/449); The Gas Act 1986 (Exemptions) (No 2) Order 1996 (1996/471); The Gas Act 1986 (Exemptions) (No 4) Order 1996 (1996/2765); The Gas Act 1986 (Exemption) Order 1997 (1997/2427); The Gas Act 1986 (Exemption) Order 1998 (1998/1779); The Gas Act 1986 (Exemptions) Order 1999 (1999/2639); and The Gas Act 1986 (Exemptions) (No 2) Order 1999 (1999/3089) will, however, expire on 1st March 2011.

This notice sets out the proposal by the Secretary of State for Energy and Climate Change for the making of an order granting various exemptions from section 5(1)(a), (b) and (c) of the Gas Act. The exemptions which are proposed in this notice are all based upon exemptions in the orders mentioned above which expire on 1st March 2011. This notice sets out the exemptions which it is proposed will be granted by the making of an order and the terms upon which that order will be made, setting out the extent of exemptions and the conditions which will apply to them.

Representations may be made with respect to the proposal until **26 October 2010**.

Background

The Gas Act 1986 provides the statutory framework for the UK's gas transmission and distribution network. At its core is a system of licensing that seeks to distinguish between the roles of gas transporters, shippers and suppliers of gas to provide equal rights and terms of access for all third parties, to create a clear separation between the acts of transportation and supply, and to protect the interests of consumers by securing competition.

The activities that must be authorised by a licence are set out in section 5 of the Gas Act:

- the conveyance of gas through pipes to any premises, or to a pipe-line system operated by a gas transporter, other than by the means of a gas interconnector;
- participation in the operation of a gas interconnector;
- the supply to any premises of gas which has been conveyed to those premises through pipes; and

- the arrangement with a gas transporter for gas to be introduced into, conveyed by means of, or taken out of, a pipeline system operated by that transporter.

Nevertheless, the Gas Act does provide the Secretary of State (for the Department of Energy and Climate Change) with the power to grant an exemption for the activities listed above. The purpose of the exemptions is to reduce the regulatory burden for those people for whom holding a licence would be excessive, or onerous. This includes people whose business requirements involve the operation of a pipeline that is not truly part of the gas network, for instance a terminal operator operating a pipeline that connects the terminal with the National Transmission System (NTS). Some licence exemptions only apply during a specific situation, such as an emergency, and allow the usual separation of market roles to temporarily break down in the interests of security of supply, for example, allowing a transporter to supply gas for a limited period in the event of the shipper going bankrupt.

Exemptions are made by the Secretary of State in the form of an order. To do this the Secretary of State must give notice that he proposes to make such an order; state the reasons why he proposes to make the order in the terms proposed, and specify the time (not being less than 28 days from the date of publication of the notice) within which representations with respect to the proposals may be made.

Current exemptions

There are currently 23 exemptions in place covered by 9 exemption orders. Seven of the orders will expire on 1 March 2011 (the remaining two do not have expiry dates and are not being considered in this notice). The 7 exemption orders consist of two class orders: where the persons benefitting from the exemption are defined in general terms, and five named orders: where the order applies to a named operator(s) and / or facility(ies).

Facilities covered by a named exemption include: the Connah's Quay power station; the UK-Ireland pipeline from which gas is conveyed to the Stranraer network; the IUK interconnector; the Lindholme compressor site; Wytch gathering station; and a range of gas terminals. The class exemptions apply to a wider range of users including gas storage operators (except for those with sites in natural porous strata underground); and gas shippers, suppliers and transporters for whom, in a narrow range of circumstances, the strict separation of market roles is allowed to break-down.

Proposed variations to the current exemptions

Our intention is to make the minimum changes necessary to bring the extant exemptions up to date. Where exemptions are no longer required we do not propose to include them in the new order.

We propose not to renew the exemption for Interconnector (UK) Limited (IUK) to convey gas from the interconnector to a gas pipeline operated by a licensed gas transporter, as it is no longer required. The exemption was granted prior to the licensing of gas interconnectors which occurred following amendments to the Gas Act 1986 made by the Energy Act 2004. These changes enable an interconnector operator to convey gas into the gas network without the need for a licence exemption.

We propose to standardise the information requirement for both named and class exemptions to ensure consistency of treatment with the information requirements placed on other exempt parties. This will mean that the operators of Connah's Quay power station and the named gas terminals will be required to provide information "in respect of such periods as may be so specified or described" rather than in "respect of such periods, not being less than 1 hour".

We do not intend to include a date on which all the exemptions will expire as it is not our belief that it delivers any obvious benefit. Neither do we intend to include a revocation provision. The Secretary of State is able to terminate an exemption if he considers that it is inappropriate for it to continue following consultation and the publication of a notice. Therefore all of the exemptions proposed will be granted indefinitely.

We will not renew the exemption for two operators of gas facilities who are now in possession of a gas transporter licence, and for one terminal that no longer connects to the NTS. We will refer to units of gas in terms of kilowatt hours rather than therms. We will remove text which is date specific and is no longer relevant, and update details such as dates and company information.

Sub-deduct meter arrangements, covered by the secondary metering and gas previously supplied exemptions, are subject to consideration by Ofgem as part of their Gas Distribution Price Control Review 2 (GDPCR2). Depending on the outcome of the review it is possible that we might review the two exemptions once again in the next few years.

Further, the operation of electricity and gas networks is subject to EU law in this area, and it may be that the operation of some of the exemptions under this proposal order may be affected by legislation which might be adopted to give effect to EU law, in particular Directive 2009/73/EC. Interested parties may also wish to consider the *Consultation on the provision of third party access to licence exempt electricity and gas networks* which DECC will publish shortly, and which may affect some of the exemptions in this proposed order (in particular the exemption in respect of the conveyance of gas previously supplied and the exemption for conveyance of gas in cases of secondary metering).

It is our intention that the exemptions will all be contained in a single order, covering both the proposed class exemptions and the individual named exemptions.

Timetable

This notice was issued on 29 September 2010 and interested parties are invited to make representations by 26 October 2010 (this is 28 days after the notice was published in line with the requirement in the Gas Act).

We will analyse responses and draft the new order in November and December and lay the order before Parliament by the end of January, with the intention that it will come into force on 1st March 2011.

Future work

Onshore gas production is an increasingly important area that could benefit from being covered by a class licence exemption. It would ensure that operators in this area had access to the same benefits as companies operating similar connecting pipelines under the existing

exemption regime. A class exemption might cover the entry of biomethane into the gas grid, gas extraction from onshore fields, and gas from unconventional sources such as shale and coal bed methane. We intend to start work in this area shortly and would **welcome any views on the types of facility that should be covered or excluded, and potential costs and benefits.**

How to respond

This notice was issued on 29 September 2010 and representations should be made by 26 October 2010. When responding, please state whether you are responding as an individual or representing the views of an organisation. Please make it clear in your response who the organisation represents, and where applicable, how the views of members were assembled.

A response can be submitted by letter or email to:

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You may make copies of this document without seeking permission. Further printed copies of the document can be requested by e-mailing nicola.robinson@decc.gsi.gov.uk.

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In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the Department.

Help with queries

Questions about the issues raised in this document can be addressed to:

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Class exemptions

Mixed class exemptions

1. Exemption in respect of the conveyance of gas previously supplied

a. What is the proposed exemption?

This proposed exemption will provide an exemption from the requirement to hold a gas transporter license for a person who is a licensed gas supplier but who can only supply to particular premises specified in their supply license. Such a person will be exempt from holding a gas transporter licence for the purpose of conveying gas to those premises which he is licensed to supply. However the gas which can be supplied must be gas that the person has himself had supplied at his own premises and that has been conveyed to that premises by a licensed gas transporter.

b. Why is the exemption required?

The exemption will enable a licensed gas supplier to continue to supply and convey gas within its private network by providing an exemption from the requirement to hold a gas transporter license. It is likely that this scenario may involve a secondary sub-deduct meter which is currently being phased-out. The exemption is required because, without one, a licensed gas transporter would be required to operate the pipes and it is unlikely that he would be willing to take over responsibility for pipes about which he would have no knowledge. This exemption is intended to be a continuation of the exemption granted by Article 4 of The Gas Act 1986 (Exemptions) (No 1) Order 1996 ("S.I. 1996/449") which will expire on 1st March 2011. Persons who use the existing exemption provided for in S.I. 1996/449 include the operators of caravan parks and local authorities.

c. What conditions would apply and why?

No conditions would be necessary.

2. Exemption for conveyance of gas in cases of secondary metering

a. What is the proposed exemption?

The proposed exemption will apply to a person who receives gas conveyed to their premises by a licensed gas transporter and who is supplied with part of that gas. The person will be exempt from holding a gas transporter licence for the purpose of conveying the remainder of that gas to a subsequent premises provided the gas is being supplied to those subsequent premises by a licensed supplier. For this exemption to apply gas must have been supplied under this arrangement since immediately before 1st March 1996.

b. Why is the exemption required?

The exemption will enable a gas consumer who receives gas from a licensed gas transporter (at a primary meter) to convey gas which they do not use to other consumers (at a secondary sub-deduct meter). The exemption is necessary because, without one, a licensed gas transporter would be required to operate the pipes and it is unlikely that he would agree to become responsible for pipelines with which he was unfamiliar. The person conveying the gas to the subsequent premises could apply for a gas licence but they could find the requirements

extremely burdensome (in the event that a licence was granted). This exemption is intended to be a continuation of the exemption in Article 15 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

- i. The exempt person must not impede the choice of gas supplier by the owner or occupier of the subsequent premises.
- ii. The exempt person shall comply with any direction given by GEMA to assist the licensed supplier who originally supplied the exempt person at his premises in carrying out its functions set out in Schedule 2B of the 1986 Act (the Gas Code), in relation to the secondary premises. The exempt person must also comply with the requirements in a direction that may correspond with the requirements of the Gas Code in relation to his conveyance of gas. The Gas Code sets out the roles and responsibilities of gas transporters, shippers, suppliers and consumers in relation to issues relating to the consumption of gas including meters, maintenance and entry into premises. Before GEMA can make any such directions it must first consult with the exempt person and the Health and Safety Executive (“the HSE”).

The conditions will protect the owner / occupier of the subsequent premises who will be able to choose their gas supplier. Also, GEMA has the power to ensure they are not at a disadvantage by the fact of having their gas conveyed by someone other than a licensed gas transporter. The exempt person may also be requested by GEMA to help the supplier meet the requirements set out in the gas code.

3. Exemption in respect of the conveyance of gas produced by a supplier as a by-product

a. What is the proposed exemption?

This proposed exemption will provide an exemption from the requirement to hold a gas transporter license for a person who is a licensed gas supplier but who can only supply to particular premises specified in their supply license. The exemption applies where gas is being conveyed for the purpose of supplying premises specified in the exempt person’s licence where that gas has been obtained as a by-product of a manufacturing or other industrial or agricultural process. The exemption will only apply where it is expected that gas, which would be supplied to the premises specified in the license, would be supplied at a rate exceeding 73,200 kWh per year.

b. Why is the exemption required?

The exemption will enable the licensed supplier to convey gas to named premises. As a licensed supplier is unable to hold a gas transporter licence, without the exemption they would have to set up a separate legal entity or stop conveying the gas, as a licensed gas transporter might not agree to take over responsibility for the pipeline. The flow rate of 73,200 kWh and above will ensure that the gas is used to supply industrial and commercial rather than domestic premises. This exemption is intended to be a continuation of the exemption in Article 6 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions will be necessary due to the limited application of the exemption to gas which will be conveyed for industrial and commercial use and that the supply of that gas is regulated in accordance with a licence.

4. Consumer's shipping exemption

a. What is the proposed exemption?

This proposed exemption will exempt a consumer from the requirement to hold a gas shipper licence when taking gas out of a pipeline system if arrangements made with a gas shipper (whether that shipper is licensed or not) have expired or been terminated. The consumer can pay the gas transporter for the entitlement to take gas conveyed to his premises out of the gas transporter's pipeline system, thus performing a shipper function, for a period of no more than 35 days, starting from when the gas transporter notifies the consumer of the change in arrangements. This exemption only applies where gas is conveyed to the consumer's premises at a rate expected to exceed 73,200 kWh a year.

b. Why is the exemption required?

The exemption is necessary to prevent a consumer's gas supply from being interrupted should the gas shipper fail to off-take gas from the licensed gas transporter's pipeline. The exemption allows the consumer 35 days to make alternative arrangements. The gas will be conveyed to the consumer's premises at a rate expected to exceed 73,200 kWh a year to ensure that the consumer undertaking this activity is industrial or commercial rather than domestic. This proposed exemption is intended as a continuation of the exemption in Article 8 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary. The exemption is temporary and will only last (in any one case) for 35 days.

5. Exemption for the supply of gas by a licensed gas transporter on the failure of the shipper

a. What is the proposed exemption?

This proposed exemption exempts a licensed gas transporter from the requirement to hold a supply licence. The exemption will apply where a gas transporter temporarily acts as a supplier where that supplier has made arrangements with the transporter under the terms of the consumer's shipping exemption mentioned above.

b. Why is the exemption required?

This exemption is linked to the consumer's shipping exemption and will enable a licensed gas transporter to supply gas to a consumer whose shipper is not operating. The exemption is necessary to ensure that a consumer's gas supply is secure in the event of shipper failure. The consumer will be industrial or commercial rather than domestic as the flow of gas concerned will be expected to exceed 73,200 kWh a year. This proposed exemption is intended as a continuation of the exemption in Article 11 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions will be necessary. Whilst this exemption is not explicitly limited to 35 days, the effect of its interaction with the Consumer's shipping exemption will cause it not to operate beyond the temporary period in which the consumer must make new shipping arrangements.

6. Supplier's shipping exemption

a. What is the proposed exemption?

This exemption will exempt a licensed gas supplier from the requirement to hold a gas shipper licence when undertaking certain shipper functions; these are to make arrangements with a gas transporter to convey gas by, or take gas out of, a pipeline system operated by that transporter, but not arranging to introduce gas into the pipeline system. This is for the purpose of Condition 18 of the Standard Conditions of Gas Suppliers' Licences which deals with the circumstances when shipping arrangements come to an end and are not replaced by new arrangements, and enables a supplier (who does not also hold a shipper licence) to act as temporary shipper to enable gas to be taken off the system at premises it is supplying. This state of affairs will continue until a new shipper been put in place.

b. Why is the exemption required?

The exemption enables a licensed gas supplier to ensure continuity of supply in circumstances where there is no longer an arrangement between shipper and transporter that would otherwise ensure that supply. This proposed exemption is intended as a continuation of the exemption in Article 10 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

7. Emergency shipper's exemption

a. What is the proposed exemption?

This proposed exemption will exempt anyone from holding a gas shipper licence who has made arrangements with a licensed gas transporter to introduce gas into the transporter's pipeline system, where doing so would be able to prevent or remedy a gas supply emergency. It applies where arrangements have been made in advance of, or during, a supply emergency. In the context of this exemption a supply emergency is an emergency endangering persons arising from a loss of pressure in any pipe-line system (or part of that pipeline system).

b. Why is the exemption required?

In the event of a supply emergency the exemption will enable anyone who is able to introduce gas into the pipeline system to do so at the request of a licensed gas transporter. In practice gas storage operators or gas producers would be the most likely gas market participants to provide this function. If this exemption was not in place there could be implications for the safety of the public and the system. This proposed exemption is intended as a continuation of the exemption in Article 13 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

8. Bottled gas exemption

a. What is the proposed exemption?

This exemption will exempt any person from the requirement to hold a gas supply licence where they supply premises, (where any particular premises is a single building or structure), with gas consisting wholly or mainly of propane or butane which is conveyed to the premises through pipes from transportable storage containers.

b. Why is the exemption required?

Without the exemption bottled gas suppliers would be required to hold a gas supply licence even though they are concerned with single pipelines of a very short length (not more than 3 metres) which are not part of the gas network. The requirement to hold a supply licence would be unduly onerous in respect of such connecting pipelines. This proposed exemption is intended as a continuation of the exemption in Article 19 of S.I. 1996/449 which will expire on 1st March 2011.

c. What conditions would apply and why?

- i. The gas will not be stored in more than four transportable containers, each containing no more than 47 kg of propane or butane which is in a predominantly liquid state.
- ii. Where there are three or four different storage containers, there will be an automatic device, which is maintained, that restricts the gas drawn from not more than two containers at any one time.
- iii. The aggregate length of pipe from the storage container to where it enters the building will not exceed 3 metres.

These conditions are designed to strengthen the safety aspects of the supply of bottled gas in these circumstances and ensure the exemption applies to bottled gas which is commonly sold in containers of up to 47kg.

GAS STORAGE

9. Exemption concerning the conveyance of gas from a gas storage facility

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a gas transporter licence when conveying gas from a gas storage facility (other than a storage facility that stores gas in natural porous strata underground) through pipes (not exceeding 16.093 km) to a pipeline system operated by a licensed gas transporter.

b. Why is the exemption required?

To enable gas to be conveyed from a gas storage facility into a licensed gas network. Without the exemption the exempt person would be required to hold a gas transporter licence even though they are concerned with single pipelines which are not truly part of the gas network. The requirement to hold a licence would be unduly onerous in respect of such connecting pipelines. Furthermore, it might not be possible to apply for a gas transporter licence if the company already held another licence under the Gas Act, eg a shipper licence.

This exemption is intended as a continuation of the exemption in Article 3 of The Gas Act 1986 (Exemptions) Order 1999 (S.I. 1999/2639) which will expire on 1st March 2011.

c. What conditions would apply and why?

- i. The exempt person must comply with directions to give information to the operator of the pipeline into which the gas is transported. Directions will be given by the Secretary of State (SoS) after the SoS has consulted the exempt person, the operator of the pipeline into which the gas is transported, GEMA and the HSE. A failure to comply with such a direction will not be a breach of that condition if caused by an incident beyond the control of the exempt person.
- ii. The kind of information which can be required by a direction is information relevant to the operation of a pipeline system operated by a gas transporter specified in the direction. A pipeline system which can be specified is one into which gas is conveyed by the exempt person, or one into which gas has been conveyed by a licensed gas transporter to whose pipeline system the exempt person conveys gas. The information relates to the calorific value or total quantity of gas expected to be conveyed, or which could be conveyed during the next following day, by the exempt person under the exemption; or changes in such calorific value or total quantity.
- iii. The exempt person shall inform GEMA of the date on which he proposes to transport gas; the location of the relevant storage facility; the maximum quantity of gas that the facility is designed to store; and the maximum rate at which the gas can flow from the facility to the pipeline operated by the licensed gas transporter for a continuous period of 24 hours. This information must be provided to GEMA not less than 30 days before the exempt person starts to convey gas.
- iv. The exempt person shall tell GEMA if there is an increase or decrease (of more than 10%) in the maximum amount of gas which the gas storage facility is designed to store and the maximum rate at which the gas can flow into the pipeline operated by the licensed transporter.

- v. If the exempt person intends to commence transporting gas less than 30 days after the exemption comes into force, he will inform GEMA of the information required in point iii above within 30 days of that date.

These conditions are required to ensure the effective operation and monitoring of the exemption and the pipeline systems into which gas is transported and supplied under the exemption.

10. Exemption concerning the conveyance of gas to a gas storage facility

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a transporter licence when conveying gas by pipes (not exceeding 16.093 km) from a pipeline operated by a licensed gas transporter, to a storage facility (other than a storage facility that stores gas in natural porous strata underground), or premises used solely in connection with the operation of such a storage facility.

b. Why is the exemption required?

This exemption will cover the gas conveyed from the pipeline of a licensed gas transporter to the facility and, together with proposed exemption 9 above, would ensure that the flows of gas to and from the pipeline of a licensed gas transporter and the facility are fully exempt from the requirement to hold a licence.

Without the exemption the exempt person would be required to hold a gas transporter licence even though they are concerned with single pipelines which are not truly part of the gas network. The requirement to hold a licence would be unduly onerous in respect of such connecting pipelines. Furthermore, it might not be possible to apply for a gas transporter licence if the company already held another licence under the Gas Act, eg a shipper licence.

This exemption is intended as a continuation of the exemption in Article 7(1) of S.I. 1999/2639 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

11. Exemption concerning the supply of gas conveyed to a gas storage facility

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a supply licence when supplying gas to a storage facility (other than a storage facility that stores gas in natural porous strata underground), or related premises, for the purpose of storing gas at the facility or its operation, eg the operation of a compressor.

b. Why is the exemption required?

This exemption will enable any person to supply gas from the pipeline of a licensed gas transporter to the facility for the purpose of gas processing, without requiring the services of a licensed gas supplier or a supply licence. In practice this means that the exempt person acts as transporter and supplier.

This exemption is intended as a continuation of the exemption in Article 7(2) of S.I. 1999/2639 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

NAMED EXEMPTIONS

LINDHOLME COMPRESSOR SITE

12. Exemption concerning the conveyance of gas from the facility

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a gas transporter licence when conveying gas from the gas processing facility at the Lindholme Compressor Site, Vulcan Way, Bawtry Road, Hatfield Woodhouse, Doncaster DN7 6TE (“the Lindholme compressor site”) along a pipeline (not exceeding 16.093 km) which leads from that facility into the pipeline of a licensed gas transporter.

b. Why is the exemption required?

To enable the exempt person (most probably the facility operator) to operate pipelines to enable entry of their gas into the pipeline of a licensed gas transporter. Without the exemption the exempt person would be required to hold a gas transporter licence even though they are concerned with single pipelines which are not truly part of the gas network. The requirement to hold a licence would be unduly onerous in respect of such connecting pipelines. Furthermore, it might not be possible to apply for a gas transporter licence if the company already held another licence under the Gas Act, eg a shipper licence. This individual exemption in respect of the Lindholme compressor site is similar to the class exemption granted to gas storage facilities above.

This exemption is intended to be a continuation of the exemption in Article 3 of The Gas Act 1986 (Exemptions) (No 2) Order 1999 (S.I. 1999/3089) which will expire on 1st March 2011.

c. What conditions would apply and why?

- i. The exempt person must comply with directions to give information to the operator of the pipeline into which the gas is transported. Directions will be given by the Secretary of State after the SoS has consulted the exempt person, the operator of the pipeline into which the gas is transported, GEMA and the HSE. A failure to comply with such a direction will not be a breach of that condition if caused by an incident beyond the control of the exempt person.
- ii. The kind of information which can be required by a direction is information relevant to the operation of a pipeline system operated by a gas transporter specified in the direction. A pipeline system which can be specified is one into which gas is conveyed by the exempt person, or one into which gas has been conveyed by a licensed gas transporter to whose pipeline system the exempt person conveys gas. The information relates to the calorific value or total quantity of gas expected to be conveyed or which could be conveyed during the next following day by the exempt person under the exemption or changes in such calorific value or total quantity.
- iii. The exempt person shall provide GEMA with the commencement date and maximum amount of gas which the gas processing facility is designed to process before commencing transportation under the exemption.

- iv. The exempt person shall tell GEMA if there is an increase or decrease (of more than 10%) in the maximum amount of gas which the gas processing facility is designed to process.
- v. If the exempt person intends to commence transport less than 30 days after this Order comes into force, he will inform GEMA of the information required in point iii above within 30 days of that date.

These conditions are required to ensure the effective operation and monitoring of the exemption and the pipeline systems into which gas is transported and supplied under the exemption.

13. Exemption concerning the conveyance of gas to the facility

a. What is the proposed exemption?

This proposed exemption will exempt any person from the requirement to hold a gas transporter licence when conveying gas along a pipeline (not exceeding 16.093 km) to the Lindholme compressor site, to carry out gas processing operations.

b. Why is the exemption required?

This exemption will cover the gas conveyed from the pipeline of a licensed gas transporter to the facility and, together with the exemption set out under exemption 12 above, would ensure that the flows of gas to and from the NTS and the compression site are fully exempt.

Without the exemption the exempt person would be required to hold a gas transporter licence even though they are concerned with single pipelines which are not truly part of the gas network. The requirement to hold a licence would be unduly onerous in respect of such connecting pipelines. Furthermore, it might not be possible to apply for a gas transporter licence if the company already holds another licence under the Gas Act, eg a shipper licence.

This exemption is intended to be a continuation of the exemption in Article 5(1) of S.I. 1999/3089 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

14. Exemption concerning the supply of gas to the facility

a. What is the proposed exemption?

The proposed exemption will exempt a person from the requirement to hold a supply licence when supplying gas to the Lindholme Compressor Site for the purpose of carrying out gas processing operations.

b. Why is the exemption required?

This exemption will enable any person who supplies gas to the facility for the purpose of gas processing to do so without requiring a supply licence or requiring the services of a licensed gas supplier.

This exemption is intended to be a continuation of the exemption in Article 5(2) of S.I. 1999/3089 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

Connah's Quay Gas Treatment Plant

15. Exemption concerning the conveyance of gas from the facility

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a gas transporter licence when conveying gas by pipe from the gas treatment plant, Connah's Quay CCGT Power Station, Kelsterton Road, Connah's Quay, Deeside, Clwyd, CH5 4BP ("Connah's Quay") to the pipeline system of a licensed gas transporter.

b. Why is the exemption required?

To enable the exempt person (which may be the facility operator) to enter their gas into a pipeline operated by a licensed gas transporter. Without the exemption they would be required to hold a gas transporter licence even though they are concerned with single pipelines which are not truly part of the gas network. The requirement to hold a licence would be unduly onerous in respect of such connecting pipelines. Furthermore, if the facility operator held another licence under the Gas Act, eg a gas shipper or supply licence, he would not be able to hold a gas transporter licence and would have to stop operating or move the pipeline to a separate legal entity, incurring significant costs.

This proposed exemption is intended to continue the exemption in The Gas Act 1986 (Exemptions) (No 4) (Amendment) Order 1996 (S.I. 1996/2795) which will expire on 1st March 2011.

c. What conditions would apply and why?

- i. The exempt person must comply with directions to give information to the operator of the pipeline into which the gas is transported. Directions will be given by the Secretary of State after the SoS has consulted the exempt person, the operator of the pipeline into which the gas is transported, GEMA and the HSE. A failure to comply with such a direction will not be a breach of that condition if caused by an incident beyond the control of the exempt person.
- ii. The kind of information which can be required by a direction is information relevant to the operation of a pipeline system operated by a gas transporter specified in the direction. A pipeline system which can be specified is one into which gas is conveyed by the exempt person, or one into which gas has been conveyed by a licensed gas transporter to whose pipeline system the exempt person conveys gas. The information relates to the calorific value or total quantity of gas expected to be conveyed or which could be conveyed during the next following day by the exempt person under the exemption or changes in such calorific value or total quantity. **To ensure consistency of treatment with the information requirements placed on other exempt parties under similar exemptions it is our intention to vary the condition in Article 4(1)(b) of S.I. 1996/2795 so that information may be "in respect of such periods as may be so specified or described" rather than in "respect of such periods, not being less than 1 hour".**

These conditions are required to ensure the effective operation and monitoring of the exemption and the pipeline systems into which gas is transported and supplied under the exemption.

Stranraer network

16. Exemption concerning the conveyance of gas to the Stranraer pipeline system

a. What is the proposed exemption?

This proposed exemption will exempt Premier Transmission Ltd from holding a gas transporter licence for the conveyance of gas from an off-take point on the Scotland-Northern Ireland (interconnector) pipeline to the Stranraer pipeline system.

b. Why is this exemption required?

To enable Premier Transmission Ltd, which cannot be a licensed gas transporter as it holds an interconnector licence, to convey gas from an interconnector to a gas network operated by a licensed gas transporter. The exemption is necessary if the Stranraer network is to be supplied with gas in this way.

The Stranraer pipeline network is a Scottish Independent Network. It is supplied by natural gas taken from the NTS at Moffat via the Scotland-Northern Ireland Interconnector (operated by Premier Transmission Ltd), from where it is introduced at an off-take point into the Stranraer network (operated by Scotia Gas Networks – a licensed gas transporter). Because the gas that is supplied at Stranraer is ultimately from the NTS and not from Northern Ireland the off-take will not constitute part of the interconnector (and is therefore not covered by the interconnector license held by Premier Transmission Ltd).

This exemption is intended as a continuation of the exemption in Article 3 of The Gas Act 1986 (Exemption) Order 1997 (S.I. 1997/2427) which will expire on 1st March 2011.

c. What conditions would apply and why?

- i. Premier Transmission Ltd must comply with any direction given by GEMA to provide any information relating to the conveyance of gas under the exemption which GEMA may reasonably require for the purpose of performing its functions under the Gas Act 1986 or the Utilities Act 2000.
- ii. Premier Transmission Ltd must inform the Secretary of State and GEMA of any proposal that could affect the amount of gas capable of being conveyed under the exemption or its ability to meet the relevant security standard (see point iii below).
- iii. Premier Transmission Ltd should provide the Secretary of State and GEMA, by 30th June each year, with a statement of its ability or otherwise to meet the relevant security standard in respect of the period of 12 months beginning on 1st October in each such year.
- iv. The relevant security standard is set out in paragraph (2) of condition 16 of the Standard Conditions for Gas Transporter Licences as if Premier Transmission Ltd is the licensee; and the pipeline system is that through which Premier Transmission Ltd conveys the gas in pursuance of the exemption in paragraph (1) of that condition, the words “subject to section 9 of the Act” were omitted; and in paragraph (4) of that condition, for the words “the operator of a pipeline or pipeline system to which it conveys gas” reference was made instead to a gas transporter who at any time is operator of the Stranraer pipe-line system.

- v. Premier Transmission shall comply with the provisions of condition 30 of the Standard Conditions for Gas Transporter Licences as if it were the licensee and as if the transportation business referred to in that condition were Premier Transmission Ltd's activities connected with the conveyance of gas in pursuance of the exemption. Condition 30 covers regulatory accounts for the purpose of ensuring that a company's accounts and other records relating to its transportation activities are separately identifiable from any other business.

The conditions relating to security standards are included in this order because gas consumers in Stranraer are reliant on the gas conveyed under this exemption as their only means of supply, hence the importance of ensuring the security of that supply.

Terminals exemption

17. Concerning the conveyance of gas from named terminals

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a gas transporter licence where he is conveying gas to a pipeline system operated by a licensed gas transporter from the following terminals:

- Barrow Terminal
Rampside Road
Barrow-in-Furness
Cumbria, LA13 0QU
(currently operated by Hydrocarbon Resources Limited)
- Amoco CATS Terminal
Seal Sands Road
Seal Sands
Middlesbrough
Cleveland, TS2 1UB
(currently operated by Amoco (U.K.) Exploration Company Limited)
- Teesside Gas Processing Plant
Seal Sands Road
Seal Sands
Middlesbrough
Cleveland, TS2 1UB
(currently operated by Teesside Gas Processing Plant Limited)
- Perenco UK Limited Natural Gas Terminal
Paston Road
Bacton
Norfolk, NR12 0JF
(currently operated by Perenco)
- Gas Terminal, Bacton
Paston Road
Bacton
Norwich
Norfolk, NR12 0JE
(currently operated by Shell UK Ltd)
- Natural Gas Terminal
Bacton
Norfolk, NR12 0JF
(currently operated by ENI S.p.A.)

- British Gas Exploration and Production Ltd Field Management and Support Base
Dimlington Road
Easington
Hull
Humberside, HU12 0SX
(currently operated by Centrica Storage Ltd)
- Britoil Dimlington Terminal
Easington
Humberside
Hull, HU12 0SU
(currently operated by Amoco (UK) Exploration Company Ltd)
- Theddlethorpe Gas Terminal
Theddlethorpe St. Helen
Mablethorpe
Lincolnshire, LN12 1NQ
(currently operated by Conoco Phillips)
- St.Fergus Gas Plant
Peterhead
Aberdeenshire, AB42 6WJ
(currently operated by Shell UK Ltd)
- Sage Terminal
St.Fergus
Peterhead
Aberdeenshire, AB42 7EP
(currently operated by Mobil North Sea LLC)
- North Sea Gas Terminal
St.Fergus
Peterhead
Aberdeenshire, AB42 3EP
(currently operated by Total E&P UK Ltd)

b. Why is this exemption required?

To enable the operators of the named terminals to enter their gas into the pipeline of a licensed gas transporter. Without the exemption they would be required to hold a gas transporter licence even though they are concerned with single pipelines which are not truly part of the gas network. The requirement to hold a licence would be unduly onerous in respect of such connecting pipelines. Furthermore, it might not be possible to apply for a gas transporter licence if the company already held another licence under the Gas Act, eg a shipper licence.

These exemptions are intended to be a continuation of the exemptions in Article 3 of the Gas Act 1986 (Exemptions) (No 2) Order 1996 (S.I. 1996/471) which will expire on 1st March 2011. One of the terminals which was named in that order has ceased to convey gas into the NTS and therefore has been removed as it is no longer caught by the prohibition in section 5(1)(a) of The Gas Act 1986.

c. What conditions would apply and why?

- i. Each terminal operator must comply with directions to give information to the operator of the pipeline into which the gas is transported. Directions will be given by the Secretary of State after the SoS has consulted the exempt person, the operator of the pipeline into which the gas is transported, GEMA and the HSE. A failure to comply with such a direction will not be a breach of that condition if caused by an incident beyond the control of the exempt person.

- ii. The kind of information which can be required by a direction is information relevant to the operation of a pipeline system operated by a gas transporter specified in the direction. A pipeline system which can be specified is one into which gas is conveyed by the exempt person, or one into which gas has been conveyed by a licensed gas transporter to whose pipeline system the exempt person conveys gas. The information relates to the calorific value or total quantity of gas expected to be conveyed or which could be conveyed during the next following day by the exempt person under the exemption or changes in such calorific value or total quantity. **To ensure consistency of treatment with the information requirements placed on other exempt parties under similar exemptions it is our intention to vary the condition in Article 6(1)(b) of SI 1996/471 so that information may be “in respect of such periods as may be so specified or described” rather than in “respect of such periods, not being less than 1 hour”.**

These conditions are required to ensure the effective operation and monitoring of the exemption and the pipeline systems into which gas is transported and supplied under the exemption.

Miscellaneous Exemptions

18. Concerning the conveyance of gas from the gathering station at Wytch

a. What is the proposed exemption?

This proposed exemption will exempt a person from the requirement to hold a gas transporter licence when conveying gas from the gathering station at Wytch, Corfe Castle, Wareham, Dorset, BH20 5JR to the pipeline of a licensed gas transporter.

b. Why is this exemption required?

The exemption for Wytch gathering station in Dorset relates to onshore gas production. It will cover the gas export pipe that conveys gas from the gathering station to a pipeline operated by a licensed gas transporter, in this case Southern Gas Networks. Although the conveyance of gas from a facility to the pipeline of a licensed gas transporter is similar to that in other exemptions, this specific scenario is not covered by a class exemption and would be prohibited if the named exemption was removed.

This exemption is intended to be a continuation of one of the exemptions in Article 4 of S.I. 1996/471 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

19. Concerning the supply of gas to named premises

a. What is the proposed exemption?

This proposed exemption will exempt the following persons from the requirement to hold a supply licence for the supply of gas to each of the premises listed below:

- i. Supply by Benenden School (Kent) Limited (Registered No. 196353, Registered Charity No. 307854, for supply to Staplehurst Lodge, Benenden School, Golford Road, Benenden, Cranbrook, Kent TN17 4AQ.
- ii. Supply by Lime Avenue Sales and Services Limited (Registered No. 1794097), for supply to Little House, Cranbrook Road, Benenden, Cranbrook, Kent TN17 4ES and South Lodge, Cranbrook Road, Benenden, Cranbrook, Kent TN17 4ES.

b. Why is this exemption required?

Benenden School (Kent) Limited and Lime Avenue Sales and Services Limited (LASS) are exempt from holding a gas supply licence for the supply of gas to Staplehurst Lodge; and Little House and South Lodge respectively. The named properties are within the Benenden School estate. The exemption enables Benenden School and LASS to supply gas to properties within the school grounds.

This exemption is intended to be a continuation of one of the exemptions in Article 5 of S.I. 1996/471 which will expire on 1st March 2011.

c. What conditions would apply and why?

No conditions would be necessary.

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