

National Gas Transmission plc

Gas Transporter Licence

Special Conditions

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Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

- 1.1.1 The purpose of this condition is to provide for the special conditions of this licence:
- (a) some provisions of general interpretation; and
 - (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Interpretation

- 1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
- 1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
- 1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are explained in those special conditions.
- 1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee will be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.
- 1.1.6 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting with the licensee.
- 1.1.7 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.8 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.9 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.10 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2026.
- 1.1.11 Any monetary values in these special conditions are in sterling in a 2023/24 price base unless otherwise indicated.
- 1.1.12 The price base for each PCFM Variable Value is denoted in the GT2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the GT2 Price Control Financial Model will convert these values in accordance with Part F of Special Condition 2.1 (Transportation owner revenue restriction), so that the component terms of Calculated Revenue and SO Calculated Revenue are in a 2023/24 price base.

Definitions

- 1.1.13 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.14 Where these special conditions state that the outputs, delivery dates or allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.15 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the GT3 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document;
 - (e) the Uniform Network Code; or
 - (f) the Network Code
- the defined term is to have the meaning given in that provision or document as amended from time to time.

the Act	means the Gas Act 1986.
Actual NTS Throughput	means the total offtake of gas from the NTS on each day (in mcm) including gas offtakes by DN Operators, Storage Facilities, interconnectors and Very Large Daily Metered Consumers connected to the NTS, plus the physical elements of NTS Shrinkage.
Actual Corporation Tax Liability	Means the combined total of the TO Actual Corporation Tax Liability and the SO Actual Corporation Tax Liability.
Actual Totex	is derived in accordance with Chapter 3 of the GT3 Price Control Financial Handbook.

Adjustment Neutrality Amount	has the meaning given to that term in the Uniform Network Code.
Advice Notice Day (NGT to propose)	means any Maintenance Plan Day in relation to which the licensee has formally notified the customer of a Maintenance activity to be carried out in alignment with that customer's maintenance programme as agreed following bilateral discussions between the customer and the licensee.
Affiliate	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Aggregate Overrun Allocation	has the meaning given to that term in the Uniform Network Code. means any process by which Entry Capacity or Exit Capacity may be allotted by or on behalf of the licensee in accordance with the Network Code.
Allowed Revenue	is the amount the licensee should aim to recover through its NTS Transportation Owner Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Transportation owner revenue restriction).
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
Appropriate Auditor	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Appropriately Qualified Independent Examiner	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
Asset Data	means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.
Asset Health Non-Lead Assets Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.
Asset Health Non-Lead Assets PCD Tables	means the tables of that name in the document identified in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.
Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled

	up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
the Authority	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Authority's Website	means www.ofgem.gov.uk
Bad Debt	means the expense incurred by the licensee when NTS Transportation Owner Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Balancing Neutrality Charges	has the meaning given to that term in the Uniform Network Code.
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output).
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' for a given Risk Sub-Category in the licensee's Network Asset Risk Workbook.
Basic Net Neutrality Amount	has the meaning given to that term in the Uniform Network Code.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Biodiversity Net Gain	means measurable net improvement to biodiversity for a defined area of land compared to the biodiversity before intervention by the licensee.
Biomethane Connections	means connections of biomethane plants onto the NTS to inject non-fossil source of energy, produced from biogas, derived from organic waste.
Biomethane UIOLI Guidance Document	means the document of that name issued by the Authority in accordance with Special Condition 3.19 (Biomethane Connections (BIOC _t) use it or lose it allowance)
Bulk Price Differential	means the volume of LPG conveyed to consumers who are connected to each relevant Independent System in the relevant Regulatory Year, multiplied by the difference between:

	(a) the reasonable estimate (made by the licensee) of the actual delivered price of LPG supplied to consumers connected to the relevant Independent System; and the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 3.6 of the document titled 'RIIO-3 Sector Specific Methodology Decision Overview document', published by the Authority on 18 July 2024.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled "NIS Supplementary Guidance and CAF Overlay for DGE Sector", published by the Authority on 1 August 2023 as amended from time to time as amended from time to time.
Calculated Revenue	has the value derived in accordance with Part D of Special Condition 2.1 (Revenue Restriction).
Calculated Tax Allowance	means the combined total of the TO Calculated Tax Allowance and the SO Calculated Tax Allowance
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener).
Capacity Auctions	means auctions operated by the licensee at which users can secure capacity to access the NTS.
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-2 Network Innovation Allowance for an additional Regulatory Year, and the first half of the following Regulatory Year.
CDSP Costs	means costs incurred or expected to be incurred by the licensee for the purposes of meeting its obligations under Standard Special Condition A15 (Central Data Services Provider).
Company Tax Return	means the financial information that the licensee is required to file with His Majesty's Revenue and Customs each year for the purposes of calculating its Actual Corporation Tax liability
Competition and Markets Authority	means the competition authority established under section 25 of the Enterprise and Regulatory Reform Act 2013.
Compressor	means gas and electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the licensee to increase the pressure of gas in that part of that pipeline system.
Compressor Cab	means the enclosures, air circulation, exhaust and fire suppression systems necessary for the protection and safe functioning of the compressor fleet.

Compressor Fuel Use (CFU)	Means the energy (GWh) required to run the compressors used to push gas at high pressure around the NTS.
Constrained Storage Facilities	has the meaning given to that term in the Network Code.
Constraint Management	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the Office for National Statistics (or any other public body acquiring its functions).
Consumer Outcome	means: (a) the expected benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in the NTS's capability or resilience; or (b) the expected benefits to consumers in terms of service quality over what would have been the whole life of the output specified in the relevant special condition had it been delivered as specified. In the context of works delivered by the licensee, this means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the NTS's capability or resilience, or benefits to consumers in terms of service quality, that can be attributed to, and reasonably expected from, the works delivered by the licensee over the whole life of the works delivered.
Cost And Output Adjusting Event	means: (a) an Extreme Weather Event; (b) the imposition of additional terms or conditions by any statutory consent, approval or permission (including but not limited to planning consent); (c) unforeseen ground or sea-bed conditions; and for the purposes of a particular output, any event that the Authority directs is a Cost And Output Adjusting Event in the FIOC Project Direction issued under Part D of Special Condition 3.13 (Funded incremental obligated capacity Re-opener).
Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.
COVID-19 Defaulting Gas Shipper	means a Gas Shipper who participated in the COVID-19 Scheme and whose insolvency has resulted in the licensee incurring Bad Debt or SO Bad Debt. The timing and meaning of insolvency is as per the Insolvency Act 1986.
COVID-19 Scheme	means the COVID-19 Liquidity Relief Scheme for Shippers as established by the Uniform Network Code (UNC) modification 726: "COVID-19 Liquidity relief scheme for Shippers".

COVID-19 System Operator Bad Debt	means SO Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.
COVID-19 Transportation Owner Bad Debt	means Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: <ul style="list-style-type: none"> (a) major detrimental impact on the availability, integrity or delivery of essential services – including those services whose integrity, if compromised, could result in significant loss of life or casualties – taking into account significant economic or social impacts; or significant impact on national security, national defence, or the functioning of the state.
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
Customer Impacting Work	means Maintenance Plan Days that would impact Maintenance Relevant Parties during the Regulatory Year, whether aligned to customers' maintenance plans or not.
CVS	(b) is calorific value shrinkage and has the meaning given to that term in the Uniform Network Code.
Cyber Resilience Plan	means a plan of the sort that the licensee was invited to submit a Cyber Resilience Business Plan at Chapter 3 of the document titled “RIIO-3 - NIS-R Cyber Resilience Business Plan Assessment Methodology and Requirement”, published by the Authority on 30 September 2024.
Cyber Resilience Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience UIOLI Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience use it or lose it allowance) by its title and publication date.
Cyber Resilience PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience Re-opener, Price Control Deliverable) by its title and publication date.
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.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).
Day	has the meaning given to that term in the Uniform Network Code.

Day-To-Day Customer Activities Element	means the element of the customer satisfaction survey that measures customer satisfaction in relation to day-to-day customer activities services carried out by the licensee (CSA_t). This includes where available: control room operations, regular engagement between operational teams from the licensee and direct connect and shipper customers, as well as maintenance services carried out by the licensee.
Delayed	means where the licensee has not delivered the output set out in the relevant special condition in full by the relevant delivery date, but intends to deliver the output in full or in part at a later date.
De Minimis Business	has the meaning given to that term in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).
Decommission	means to Disconnect one or more assets or sites from all supplies of energy, removing all process fluids and de-pressurising. When a full site is in scope, all assets are removed from the site and the site is returned to its original or enhanced environmental state. For below ground assets on operational sites, decommission means to Disconnect assets from all supplies of energy and secure with a suitable fill material e.g. nitrogen.
Defaulting Gas Shippers	means a Gas Shipper, which has failed to make payments to the licensee in accordance with the Uniform Network Code.
Demand Side Response	means the voluntary reduction of gas demand by either a party to the Uniform Network Code in respect of a DMC Supply Point Component or DMA Supply Point Component, or directly by a gas consumer, as agreed with National Gas Transmission and in accordance with the Uniform Network Code.
Demand Side Response Methodology	means a methodology maintained pursuant to and in accordance with the principles set out in part A of Special Condition 9.22 (Implementing and maintaining the Demand Side Response Methodology).
Demand Side Response Offer	means an offer to provide Demand Side Response. This can take the form of an offer via the DSR Option Invitation or an offer made on the On-The-Day Commodity Market.
Digitalisation	means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Digitalisation Re-opener	means the Re-opener established by Part B and Part C of Special Condition 3.6 (Digitalisation Re-opener)
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property, generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensees) that have not been otherwise funded through NTS

	Transportation Owner Charges or NTS System Operation Charges or as services under Special Condition 11C (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).
Disaggregated Network Risk Output	means a disaggregated component of the Baseline Network Risk Outputs or Outturn Network Risk Outputs into units appropriate for investment planning or delivery assessment purposes. Disaggregation may, for example, be at project, asset category, or intervention level, or combinations of these.
Disallowed Expenditure	means revenue received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant TO Special Conditions or Relevant SO Special Conditions (in whole or in part).
Disconnect	has the meaning given to that term in the Act.
Distribution Network	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
DMC Supply Point Component	has the meaning given to that term in the Uniform Network Code.
DMA Supply Point Component	has the meaning given to that term in the Uniform Network Code.
DN Operator	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Domestic Credit Meter Installation	means a Domestic Sized Meter and associated equipment and installations (excluding housing) within the definition of a Supply Meter Installation as Supply Meter Installation is defined by paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code and is not a Prepayment Meter Installation.
Domestic Sized Meter	means designated for a maximum rate of gas flow which does not exceed 6m ³ /hr.

DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
DSR Option Invitation	has the meaning given to that term in the Uniform Network Code.
Efficiency	means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan. This does not include: (a) where lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or (b) where expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to, growth in demand for the licensee's services or government policy.
Electric Compressor	means electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the licensee to increase the pressure of gas in part of that pipeline system.
Electricity System Operator Licence	means a licence granted or treated as granted under section 6(1)(da) of the Electricity Act 1989.
Eligible Balancing Action	has the meaning given to that term in the Uniform Network Code.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-2 Network Innovation Allowance projects on which work commenced prior to 31 March 2026, pursuant to the requirements of the RIIO-2 NIA Governance Document.
Eligible SIF Project	means a project undertaken by the licensee or any other Gas Transporter Licensee or the ISOP that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
Energy System Data	means facts and statistics collected together that describe the energy system (current, historic and forecast), including: the presence and state of infrastructure, its operation, associated market agreements and their operations, policy and regulation.
Entry and Exit Zones	means such zones as are specified in the licensee's Business Plan (subject to any revisions proposed by the licensee and approved by the Authority in writing).
Entry Capacity	means capacity in the NTS which a Relevant Shipper is treated as utilising in delivering gas to the NTS (and the total system) at an NTS Entry Point.
Entry Capacity Constraint Management	means Constraint Management undertaken by the licensee in respect of Entry Capacity in the NTS.

Entry Capacity Substitution	is the process by which unsold Non-Incremental Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Incremental Obligated Entry Capacity at another NTS Entry Point in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).
Entry Capacity Trade	means the process by which sold Firm Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point, in accordance with the obligations set out in Special Condition 9.18 (Entry and Exit Capacity obligations and methodology statements).
Entry Capacity Transfer	means the process by which unsold Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point where all Obligated Entry Capacity has been sold, in accordance with the obligations set out in Special Condition 9.18 (Entry and Exit Capacity obligations and methodology statements).
Entry Close-out Date	has the meaning given to that term in the Uniform Network Code.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Net Gain	means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs, and the proportionate levels of over-delivery and under-delivery of Baseline Network Risk Outputs resulting from higher or lower level of intervention volumes.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Ex-Ante Base Revenue	has the value of £XXXm for each Regulatory Year.

Exit Capacity	means capacity in the NTS which a Relevant Shipper or DN Operator is treated as utilising in off-taking gas from the NTS at an NTS Exit Point.
Exit Capacity Constraint Management	means Constraint Management undertaken by the licensee in respect of Exit Capacity in the NTS.
Exit Capacity Revision	means the process by which the level of Licence Baseline Exit Capacity is modified in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements), which takes place as a result of the release of Funded Incremental Obligated Entry Capacity.
Exit Capacity Substitution	means the process by which unsold Non-Incremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance with the obligations set out in Special Condition 9.18 (Entry and Exit Capacity obligations and methodology statements).
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Failure To Interrupt	has the meaning given to that term in the Network Code.
Final Option Selection Report	means a report for a specific site produced by the licensee setting out the options selection process and proposed Final Preferred Option signed off as meeting the requirements of gas network development process stage 4.2 as set out further in the Re-opener Guidance and Application Requirements Document Associated Documents.
Final Preferred Option	means the option selected by the licensee for a specific site following updated flow forecast and cost benefit analysis, agreed upon by both the licensee and the Authority.
FIOC Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Part G of Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).
FIOC Project Direction	means a direction by the Authority, following a submission from the licensee in accordance with Special Condition 3.12 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable) justifying its costs for releasing Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity, and specifying an output, delivery date and allowance.
Firm Entry Capacity	has the meaning given to that term in the Uniform Network Code.
Firm Exit Capacity	has the meaning given to that term in the Uniform Network Code.
Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.
Forecast Total System Demand	has the meaning given to that term in the Uniform Network Code.

Front End Engineering Design	means a fully detailed engineering design for the site in question, including the layout and installation plan and a tendered quote, which meets the requirements to pass gas network development process stage 4.3 sign-off as set out further in the Re-opener Guidance and Application Requirements Document.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.
Fully Delivered With An Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Funded Incremental Obligated Entry Capacity	is Incremental Obligated Entry Capacity, the release of which has been funded under Special Condition 3.12 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).
Funded Incremental Obligated Exit Capacity	is Incremental Obligated Exit Capacity, the release of which has been funded under Special Condition 3.12 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other Gas Transporter Licensees, in each case to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and Returned Project Revenues.
Gas Balancing Notification	has the meaning given to that term in the Uniform Network Code.
Gas Deficit Emergency	has the meaning given to that term in the Uniform Network Code.
Gas Network Capability Needs Report	means the report prepared by the ISOP in accordance with Part B of condition C8 (Gas strategic network planning) of the Gas System Planner Licence.
Gas Options Advice Document	(a) means the document of that name prepared by the ISOP under Part C of condition C8 (Gas strategic network planning) of the Gas System Planner Licence.
Gas Shipper	has the meaning given to that term in section 7A(11) of the Act.
Gas System Planner Licence	means a licence granted or treated as granted under section 7AA of the Gas Act 1986.
Gas Transporter Licensee	means the holder of a licence granted or treated as granted under section 7 of the Act.

Gas Volumes Methodology	means a methodology provided under part I of Special Condition 5.8(System operator external incentives (SOEt)).
GHG Independent Examiner	means a person nominated by and independent of the licensee with the skills and knowledge of accepted greenhouse gas accounting and audit principles so as to be qualified to undertake an examination of the Greenhouse Gas Emissions Calculation Methodology for calculating the mass of Natural Gas Vented and verification of the application of this methodology.
Great Britain	means the landmass of England, Wales and Scotland, including internal waters.
Greenhouse Gas Emissions Calculation Methodology	is the methodology required under part E of Special Condition 5.6 (System operator environmental incentives, revenues and costs).
GT Asset Health Plan	means the document of that name prepared by the licensee and submitted to the Authority in December 2024.
GT GT3 Price Control Financial Handbook	means the document of that name that was first published by the Authority and which comes into effect on 1 April 2026.
GT3 Price Control Financial Model	means the GT3 Price Control Financial Handbook and the GT3 Price Control Financial Model.
GT3 Price Control Financial Instruments	means the GT3 Price Control Financial Handbook and the GT3 Price Control Financial Model.
GT3 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the GT3 Price Control Financial Handbook.
Halted Project Revenues	means revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
ILI Report	is a report undertaken by the licensee detailing the length of time taken by the licensee to complete both Short ILIs and Long ILIs and comparing this against previous annual reporting figures and any other relevant benchmarks.
Improvement Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled “Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain”, published by the Authority on 30 November 2018.
In Line Inspection	means the internal inspection of pipelines through the use of pipeline inspection gauges.
Incremental Entry Capacity	means Firm Entry Capacity other than Non-Incremental Obligated Entry Capacity.

Incremental Entry Capacity Services	means the undertaking of engagements relating to the provision of Entry Capacity other than Non-Incremental Obligated Entry Capacity.
Incremental Exit Capacity	means Firm Exit Capacity other than Non-Incremental Obligated Exit Capacity.
Incremental Exit Capacity Services	means the undertaking of engagements relating to the provision of Exit Capacity other than Non-Incremental Obligated Exit Capacity.
Incremental Obligated Entry Capacity	means the volume of Firm Entry Capacity which the licensee is required to offer for sale at an NTS Entry Point that is above the level of Non-Incremental Obligated Entry Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.19 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
Incremental Obligated Exit Capacity	means the volume of Firm Exit Capacity which the licensee is required to offer for sale at an NTS Exit Point that is above the level of Non-Incremental Obligated Exit Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.19 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
Independent Examiner	means a person nominated by and independent of the licensee with the skills and knowledge to undertake an examination.
Independent System	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation), except that for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, it means independent systems (as defined in Standard Special Condition A3) through which the gas conveyed to consumers consists wholly or mainly of LNG or LPG.
Innovation	means: (a) solutions that have been trialled by any Network Licensee as part of a RIIO-1 and RIIO-2 Network Innovation Allowance project pursuant to the requirements of the RIIO-1 and RIIO-2 NIA Governance Documents or a RIIO-3 NIA Project; or (b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.
Interruptible Entry Capacity	means Entry Capacity that may be subject to curtailment by the licensee under the provisions relating to interruption in the Uniform Network Code.
IP Completion Day	has the meaning given to that term in Standard Condition 1 (Definitions and Interpretation).
ISOP	means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 who holds an Electricity System Operator Licence and Gas System Planner Licence.

IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
LDZ	has the meaning given to that term in the Network Code.
Licence Baseline Entry Capacity	means the volume of Entry Capacity as set out in Appendix 1 of Special Condition 9.14 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Entry Capacity from five years after the contractual delivery date of that capacity.
Licence Baseline Exit Capacity	means the volume of Exit Capacity as set out in Appendix 2 of Special Condition 9.14 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Exit Capacity from five years after the contractual delivery date of that capacity.
Licensed Activity	has the meaning given to the term "Transportation Business" in Standard Special Condition A3 (Definitions and Interpretation).
Licensee's Offices	means the licensee's offices located in Derby, Eakring, London, Solihull, Warrington, Warwick and Wokingham. Where the sites are shared with multiple parties, the metrics achieved at the overall site will be attributed in proportion with the capex allocation (as notified by the licensee to the Authority) for each entity residing at the site
LNG	means liquefied natural gas.
Local Area Energy Plan	means a plan that is the product of a process: <div style="margin-left: 40px;">(a) through which a range of stakeholders including Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and</div> that has been conducted in the context of enabling energy systems with net zero carbon emissions.
Locational Action	means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the On-the-day Commodity Market, and where locational buys will be treated as a cost to the licensee and locational sells will be treated as a revenue.
Locational Sell Actions	means a Locational Action treated as a revenue for the licensee.
Long ILI	is work necessary to undertake an In Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is more than 10km and requiring one or more Maintenance Plan Days.
Long-Term Customer Activities Element	(b) means the element of the customer satisfaction survey that measures customer satisfaction in relation to long-term customer activities services carried out by the licensee (CSCT). This includes: connections, disconnections, markets and strategy changes and Uniform Network Code modifications and engagements.

Long Term Development Statement	means the element of the customer satisfaction survey that measures customer satisfaction in relation to long-term customer activities services carried out by the licensee (CSCT). This includes: connections, disconnections, markets and strategy changes and Uniform Network Code modifications and engagements.
Long-term Monetised Risk	means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.
LPG	means a mix of hydrocarbon gases including propane and butane in accordance with the engineering standard titled "British Standard European Norm 589:2018 Automotive Fuels. LPG. Requirements and test methods".
Maintenance	includes: <ul style="list-style-type: none"> (a) maintenance, inspection, repair, replacement, reinstatement and recommissioning of the pipeline system to which this licence relates or any part or parts of it; (b) works for the expansion, reinforcement or extension of the pipeline system to which this licence relates , including works in relation to existing parts of that pipeline system (including any part of the system which is out of service, whether on a temporary or permanent basis) to enable such works to be carried out; and any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of the pipeline system to which this licence relates into, or back into, service.
Maintenance Change Day	means any Maintenance Plan Day, where the licensee has initiated a change compared to the Maintenance Plan, unless: <ul style="list-style-type: none"> (a) the licensee has requested the change to facilitate the requirements of another Maintenance Relevant Party; (b) in the case of where the customer has cancelled an Advice Notice Day, the licensee deemed it reasonably necessary to initiate another Maintenance Plan Day for the same Maintenance activity; (c) in the case of an Advice Notice Day, the licensee has requested the change to align its Maintenance activities with a customer and the change continues to align with the same customer Maintenance programme or another Maintenance programme agreed with the customer; or (d) in the case of an Advice Notice Day, the Advice Notice Day includes more than one Maintenance activity and the licensee has requested the change to move some

	of the Maintenance activity to another Maintenance programme agreed with the customer.
	Changes for the purposes of this definition are changes that result in:
	(a) a change in date, including a change to the number of days that one or more Maintenance Relevant Parties are affected by a Maintenance Plan Day; and
	(b) a cancellation of a Maintenance Plan Day.
Maintenance Day	has the meaning given to that term in the Uniform Network Code.
Maintenance Plan	means the year ahead plan that is made up of the notifications of Maintenance Plan Days that the licensee sends to Maintenance Relevant Parties on or before 1 April for the Regulatory Year in respect of the Maintenance Plan Days.
Maintenance Plan Day	means any planned Maintenance Day included within the Maintenance Plan or any planned Maintenance Day subsequently added to the Maintenance Plan after 1 April in the relevant Regulatory Year that is related to one or more of the following Maintenance activities (for the avoidance of doubt (a) where a single Maintenance activity affects multiple Maintenance Relevant Parties on a day, this will be construed as a single Maintenance Plan Day; and (b) this includes Advice Notice Days):
	(a) routine maintenance (e.g. routine Valve Operations);
	(b) planned asset replacement and reinforcements, including but not limited to boiler replacements, work to facilitate the replacement of Compressors to enable compliance with emissions related legislation and incremental capacity requirements; and
	(c) in-line inspections, where these activities affect one or more Maintenance Relevant Parties and where this party is an NTS Supply Point or an NTS Connected System Exit Point. For the avoidance of doubt, this does not include activities that cannot reasonably be planned in advance of the draft Maintenance Plan in respect of Regulatory Year t including work following a network gas supply emergency or force majeure, work following a fault or defect, pipeline feature inspections or any activities carried out on behalf of one or more third parties.
Maintenance Relevant Party	has the meaning given to that term in the Uniform Network Code.
Maintenance Workload	is the sum in Days of the licensee's overall Maintenance work and is equal to the number of Maintenance Plan Days in Regulatory Year t.
Market Facilitation Element	means the element of the customer satisfaction survey that measures customer satisfaction in relation to market facilitation services carried out by the licensee (<i>CSB_t</i>). This includes where available: activities associated with validation of end of Day (EoD) measurements and allocations, metering, reconciliation and

	measurement assurance to ensure correct shipper billing, energy balancing related queries, setting up and allocating capacity auctions and managing capacity constraint strategies..
Market Offer Price	has the meaning given to that term in Uniform Network Code.
Materiality Threshold	has the value £10.7m.
Mature Innovation	<p>in relation to the Digitalisation Re-opener means a product or service that has:</p> <p>(a) progressed through network innovation spending, such as the SIF, NIC, or NIA, to the point where it is ready to be considered as part of business-as-usual operations; or</p> <p>is the result of industry-wide activities relating to the modernisation of regulatory reporting</p>
Measurement Equipment	has the meaning given to that term in the Uniform Network Code.
Mechanistic Price Control Deliverable	means a Price Control Deliverable that is not an Evaluative PCD.
Minor Works Agreement	(b) means the services offered by the licensee which enable Maintenance Relevant Parties to pay the incremental costs of the licensee working flexibly outside normal working practices where possible in respect of Maintenance.
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	<p>means the risk benefit delivered or expected to be delivered by an asset intervention, which:</p> <p>(a) is the difference between without intervention and with intervention Monetised Risk;</p> <p>(b) can be measured over one year or over a longer period of time; and</p> <p>includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.</p>
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Handbook	<p>means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that:</p> <p>(a) sets out the methodology for calculating relevant funding adjustments and penalties as a result of Outturn Network Risk Outputs being different to Baseline Network Risk Outputs; and</p>

	(b) provides guidance to the licensee on providing justification for over-delivery and under-delivery; the treatment of Non-Intervention Risk Changes and the meaning and treatment of ‘clearly identifiable over-delivery’ and ‘clearly identifiable under-delivery’.
NARM Methodology	means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
National Forecast Flow Data Item or Report	means an hourly data item or report published by the licensee showing, for each Day, aggregate forecast flows of gas into the NTS based on delivery flow nominations.
National Physical Flow Data Item or Report	means an hourly data item or report published by the licensee showing, for each Day, aggregate forecast flows of gas into the NTS based on actual (aggregate) physical flows into the NTS.
National Risk Register	means the publicly available version of the UK Government’s National Security Risk Assessment, as defined by the Cabinet Office and is available at: www.gov.uk/government/publications/national-risk-register-2023
Natural Gas Vented	means the release of natural gas from a Compressor as a result of: <ul style="list-style-type: none"> (a) starting a Compressor; (b) purging a Compressor; (c) depressurising a Compressor; or (d) the leakage of gas through a seal around the shaft of a Compressor.
Net Margins WACOG	has the meaning given to that term in the Uniform Network Code.
Net Zero Advisory Group	means a group set up by the Authority with the objective to strengthen strategic coordination among key government departments and public sector organisations involved in the energy system transition, including around the heat, power, and transport sectors.
Net Zero And Re-opener Development Fund	means a use-it-or-lose-it allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero and Re-opener Development Fund Governance Document	means the document of that name issued by the Authority in accordance with Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero Carbon Targets	means the targets set out in: <ul style="list-style-type: none"> (a) section 1 of the Climate Change Act 2008; (b) section A1 of the Climate Change (Scotland) Act 2009; and (c) section 29 of the Environment (Wales) Act 2016.

Net Zero Development	<p>means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is:</p> <ul style="list-style-type: none"> (a) a change in national government policy (including policies of the devolved national parliaments); (b) a change in local government policy; (c) the successful trial of new technologies or other technological advances; (d) a change in the pace or nature of the uptake of low carbon technologies; or (e) a new obligation arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.
Net Zero Innovation Board	<p>means the board established by the government to ensure a co-ordinated approach to innovation funding across public sector bodies in the United Kingdom.</p>
Net Zero Pre-construction Work	<p>means:</p> <ul style="list-style-type: none"> (a) surveys, assessments and studies; (b) project design; (c) engineering development; (d) stakeholder engagement and consultation; (e) tasks associated with wayleaves; (f) planning applications; and (g) any other relevant necessary activities to progress to final investment decision.
Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document	<p>means the document issued by the Authority in accordance with Part B of Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener).</p>
Network Asset	<p>means the assets that collectively form the pipeline system to which this licence relates, and includes the principal components of those assets.</p>
Network Asset Risk Metric	<p>means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.</p>
Network Asset Risk Workbook	<p>means the workbook of that name in Microsoft Excel® format issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that contains the following data:</p> <ul style="list-style-type: none"> (a) Baseline Network Risk Outputs; (b) Disaggregated Network Risk Outputs; (c) the baseline funding associated with the Disaggregated Network Risk Outputs; (d) Asset Intervention underlying the Disaggregated Network Risk Outputs; and (e) records of results from Rebasing exercise.

Network Code	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Network Licensee	means the holder of a licence granted or treated as granted under section 7 or 7AA of the Act or section 6(1)(b), (c) or (da) of the Electricity Act 1989.
Network Model	means a computer simulation used to predict the behaviour of the NTS under different supply and demand scenarios.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.
NIA	means the Network Innovation Allowance provided by Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
NOMs Incentive Methodology	means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6 December 2018.
NOMs Methodology	means the methodology approved under Special Condition 7D (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-Incremental Obligated Entry Capacity	is the Licence Baseline Entry Capacity adjusted for Entry Capacity Substitution.
Non-Incremental Obligated Exit Capacity	is the Licence Baseline Exit Capacity adjusted for Exit Capacity Substitution.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.
Non-Obligated Entry Capacity	means Firm Entry Capacity other than Obligated Entry Capacity.
Non-Obligated Exit Capacity	means Firm Exit Capacity other than Obligated Exit Capacity.
Non-operational IT Capex	has the meaning given to that term in the RIGs.
Not Delivered	means where the licensee has not delivered the output specified in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.
NTS	has the meaning given to that term in the Network Code.
NTS Connected System Exit Point	has the meaning given to that term in the Uniform Network Code.
NTS Entry Point	has the meaning given to that term in the Uniform Network Code.

NTS Exit Point	has the meaning given to that term in the Uniform Network Code.
NTS Linepack	has the meaning given to that term in the Uniform Network Code.
NTS Shrinkage	means energy used in operating the system and other energy which can't be charged to consumers or accounted for in the measurement and allocation process.
NTS Shrinkage Procurement Strategy	means a strategy required under Part I of Special Condition 5.8 (System Operator Environmental Incentives SOEIt).
NTS Shrinkage Report	means a report required under Part H of Special Condition 5.8 (System Operator Environmental Incentives SOEIt).
NTS Supply Point	has the meaning given to that term in the Uniform Network Code.
NTS System Entry Point	has the meaning given to that term in the Uniform Network Code.
NTS System Operation Activity	means engagements undertaken by the licensee pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS Transportation Owner Activity for the delivery of Incremental Entry Capacity and Incremental Exit Capacity, including: <ul style="list-style-type: none"> (a) Incremental Entry Capacity Services; (b) Incremental Exit Capacity Services; (c) residual gas balancing services; (d) balancing management; (e) Constraint Management services; and the provision of services in relation to gas quality.
NTS System Operation Charges	means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS System Operation Activity, to any person for the purpose of recovering its SO Allowed Revenue.
NTS System Operator	means the licensee when carrying out an NTS System Operation Activity.
NTS Throughput Data Item or Report	means a data item or report published by the licensee showing, amongst other data, the forecast level of Actual NTS Throughput.
NTS Transportation Owner Activity	means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the Supply Of NTS Services.
NTS Transportation Owner Charges	means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS Transportation Owner Activity, to any person, for the purpose of recovering its Allowed Revenue.
Transportation Charging Statement	means the statement referred to in paragraph 1 of Standard Special Condition A4 (Charges – General)
Obligated Entry Capacity	is the sum of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity (which will become Non-Incremental Obligated Entry Capacity five years after the contractual delivery date of that capacity).

Obligated Exit Capacity	is the sum of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity (which will become Non-Incremental Obligated Exit Capacity five years after the contractual delivery date of that capacity).
Off-Peak Exit Capacity	has the meaning given to the term “off-peak daily NTS exit (flat) capacity” in the Uniform Network Code, unless at an NTS Exit Point described in Appendix 2 to Special Condition 9.14 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, where it shall have the meaning given to the term “interruptible NTS interconnection point capacity” in the Uniform Network Code.
OM Interested Party	means any party which may be affected by the procurement of Operating Margins by the licensee, including those parties which may be able to provide Operating Margins to the licensee.
On-the-day Commodity Market	means the on-the-day commodity market in which Relevant Shippers and the licensee can buy and sell gas.
Operating Margins	has the meaning given to that term in the Uniform Network Code.
Operating Margins Report	means a report produced and published by the licensee under part H of Special Condition 5.6 (System operator external incentives, revenues and costs).
Operating Margins Requirements	has the meaning given to that term in the Uniform Network Code.
Operating Margins WACOG	has the meaning given to that term in the Uniform Network Code.
Operational Data	includes, unless otherwise directed by the Authority: <ul style="list-style-type: none"> (a) the National Forecast Flow Data Item or Report; (b) the National Physical Flow Data Item or Report; (c) the NTS Throughput Data Item or Report; and the Predicted Closing Linepack Data Item or Report.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity.
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to gas.
Other Activities and & Events Element	means the element of the customer satisfaction survey that measures customer satisfaction in relation to any other activities and events services carried out by the licensee (CSD_t), including where available events and future of gas projects.
Outturn Network Risk Output	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the

	Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Outputs.
PARCA	means any: <ul style="list-style-type: none"> (a) "PARCA" as that expression is defined in the Uniform Network Code; and (b) agreement between the licensee and a PARCA Applicant relating to the reservation and allocation of Entry Capacity or Exit Capacity under "European Interconnection Document, Section E" of the Uniform Network Code.
PARCA Applicant	means any: <ul style="list-style-type: none"> (a) "PARCA Applicant" as that expression is defined in the Uniform Network Code; and (b) person applying to reserve and then be allocated Entry Capacity or Exit Capacity under "European Interconnection Document, Section E" of the Uniform Network Code.
PARCA Termination Amount	means the amount of money the licensee is entitled to recover from a PARCA Applicant under the PARCA in the event a PARCA is terminated.
PARCA Termination Costs	means the costs incurred by the licensee in respect of a PARCA that is terminated prior to the allocation of Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity.
PARCA Termination Value	means an amount equal to the PARCA Termination Costs incurred less PARCA Termination Amounts received from PARCA Applicants.
Partially Delivered	means where the licensee has delivered some, but not all of the output specified in the relevant special condition.
Partially Delivered With Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Variable Values	means the values in the table of that name in the GT2 Price Control Financial Handbook.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transportation Business

	under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Permitted Administration Fee	means the amount the licensee is permitted to raise and retain for administering the mechanism contained in Special Condition 9.16 (NTS shortfall contribution obligations).
Phase 1 PARCA Works Reports	has the meaning given to that term in the Network Code.
Physical Renomination Incentive Charges	has the meaning given to that term in the Uniform Network Code.
Physical Security Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 Resilience Re-opener and Price Control Deliverable (RESREt, PSUPt and PSUPREt) by its title and publication date.
Physical Security Requirements	means physical security works to CNI on the licensee's property or infrastructure that is mandated by legislation, regulations, policy or other central government requirements.
Physical Security PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 Resilience Re-opener and Price Control Deliverable (RESREt, PSUPt and PSUPREt) by its title and publication date.
Physical Security Upgrade Programme	means physical security investment at Critical National Infrastructure sites as mandated by government.
Pipeline Diversion Costs (NGT propose to change the definition to include force majeure etc)	<p>Pipeline Diversion Costs means costs incurred, or expected to be incurred, by the licensee in relation to extant liabilities or other obligations to divert existing pipelines which:</p> <p>(a) arise as a result of existing obligations or liabilities taken on by the Gas Council or British Gas plc. for which the licensee is now responsible;</p> <p>(b) the licensee can demonstrate it has done everything in its powers to recover from the relevant party requesting the pipeline diversion;</p> <p>(c) third-party encroachment if a third party inhabits the land above a pipeline section (such as a traveller site), where efforts to re-locate the third party through stakeholder engagement or pursuing legal options available have failed; or</p> <p>(d) a force majeure event.</p>
Pipethrough	means the process of the removal of mainline valve and any bypass arrangement and associated assets replacing with a section of line pipe.
Plant And Equipment	means the pipework at compressor stations and above ground installations, coated as a means of primary protection and protected by cathodic protection as a secondary means where it is below ground as well as the equipment associated with maintaining gas quality and pressure.

Policing Costs	means the costs of complying with any requirement arising under sections 85 to 90 of the Counter-Terrorism Act 2008 in respect of the provision of policing services in or around a gas facility.
Predicted Closing Linepack Data Item or Report	means a hourly data item or report published by the licensee showing, for each Day, the opening NTS Linepack, two projected closing NTS Linepack figures, and Forecast Total System Demand.
Prepayment Meter Installation	means a Domestic Sized Meter and associated equipment and installations (excluding housing) comprised in a Supply Meter Installation as Supply Meter Installation is defined by 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.
Prescribed Rates	means: <ul style="list-style-type: none"> (a) business rates in England and Wales; and (b) non-domestic rates in Scotland or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.6, 3.7, 3.10, 3.13, 3.15, 3.16, and 3.21.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, "Decision on the Authority's policy for funding Pension Scheme Established Deficits" dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2026.
Procurement Guidelines Document	means a statement of that name maintained and revised in accordance with Part B of Special Condition 9.20 (System Management Services).
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
PSUP Solution	means the site physical security upgrade specified by the government.
Qualifying Project	means a network development project that affects the local environment that has either: <ul style="list-style-type: none"> (a) passed through and been granted external planning approval; or (b) passed through the licensee's internal decision making stage "network development process gate 4".
Quarry and Loss Development Claim Costs)	means the costs reasonably incurred, or expected to be incurred, by the licensee in relation to settling any claims from landowners whose land contains network assets, which relate to: <ul style="list-style-type: none"> (a) loss of land development;

	<p>(b) sterilised minerals;</p> <p>(c) landfill and tipping;</p> <p>(d) power generation;</p> <p>(e) drainage; or</p> <p>(f) loss of crop</p>
	where the licensee can demonstrate that it has used reasonable endeavours to challenge both the basis of the claim and the quantum of the compensation sought.
RAV	means regulatory asset value.
Rebased Baseline Network Risk Output	means a Baseline Network Risk Output that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purposes of Special Condition 3.1 (Baseline Network Risk Output).
Rebasing	means the process of modifying the Baseline Network Risk Output as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Redundant Assets	means equipment, or assets or sites which are no longer utilised (either now or in the foreseeable future) by the licensee for the Transportation Business, but does not include equipment and assets which are or are to be repurposed or used for Innovation at a different location.
Redundant Assets PCD Tables	means the tables of that name in the document identified in Appendix 1 to Special Condition 3.15 (Redundant Assets Price Control Deliverable) by its title and publication date.
Regulatory Financial Performance Reporting	means the reporting template and associated guidance of the same name that the licensee is required to submit to the Authority in accordance with the RIGs.
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.
Related Undertaking	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Relevant Element	<p>means one of the following:</p> <p>(a) the Day-to-Day Customer Activities Element;</p> <p>(b) the Market Facilitation Element;</p> <p>(c) the Long-Term Customer Activities Element; or</p> <p>(d) the Other Activities & Events Element, as appropriate.'</p>
Relevant Gas Transporter	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Relevant Network Model Data	means all the data necessary for the Network Model to satisfy the first two requirements in Part B of Special Condition 9.13 (Licensee's Network Model).
Relevant Point	means a point of the licensee's pipeline system on which the licensee will make information on technical, contracted and available capacities on a numerical basis public, on a regular and rolling basis in a user-friendly and standardised manner, as required by Article 18.3, EC Regulation 715/2009, as it has effect immediately before IP Completion Day as read with any modifications set out in the Act.
Relevant Quarter Year	means a quarter in a Regulatory Year, where a quarter is a continuous period of three calendar months and where q=1 is the period Between 1 April and 30 June, q=2 is the period Between 1 July and 30 September, q=3 is the period Between 1 October and 31 December and q=4 is the period Between 1 January and 31 March (each inclusive).
Relevant Shipper	has the meaning given to the term in Standard Special Condition A3, except that, for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, means a Gas Shipper that has made arrangements with the DN Operator that operates the LDZ in which that Independent System is situated under which LNG or LPG is to be transported to consumers at the premises.
Relevant SO Special Conditions	means Special Condition 2.3 (System operator revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.3 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Supplier	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Relevant System Management Services	means System Management Services other than: <ul style="list-style-type: none"> (a) those that the licensee has acquired through an Eligible Balancing Action (if that trade was not made pursuant to any prior agreement); and (b) those that the Authority directs the licensee not to treat as Relevant System Management Services.
Relevant TO Special Conditions	means Special Condition 2.1 (Transportation owner revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: <ul style="list-style-type: none"> (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
Resilience Activity	means any activity undertaken by the licensee in response to: <ul style="list-style-type: none"> (a) Changes in national government policy;

	<p>(b) Recommendations made by the ISOP and endorsed by national government;</p> <p>(c) Actions arising from the National Risk Register.</p>
Re-opener	<p>means the mechanisms created by:</p> <p>(a) Special Conditions 3.5, 3.8, 3.9, 3.14, 3.17, 3.23, 3.24, 3.25, 3.26; and</p> <p>(b) Parts C and D of Special Condition 3.2 (Cyber resilience Re-opener, Price Control Deliverable and use it or lose it (CYt, CYREt, CYUt)), Parts C and D of Special Condition 1.1 Resilience Re-opener and Price Control Deliverable (RESREt, PSUPt and PSUPREt) Part C of Special Condition 3.5 (Net zero Re-opener and Price Control Deliveable), Part C of Special Condition 3.6 (Digitalisation Re-opener), Part C of Special Condition 3.12 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable), and Part C of 3.26 (Network Decarbonisation and Emissions Compliance Re-opener & PCD (NDCt and NDCREt)).</p>
Re-opener Guidance and Application Requirements Document	<p>means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.5 (Re-opener Guidance and Application Requirements Document).</p>
Retail Prices Index	<p>means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).</p>
Returned Project Revenues	<p>means:</p> <p>(a) revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; or</p> <p>(b) (b) revenues earned from Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) other than Returned Royalty Income that the Authority determines are payable to customers.</p>
Returned Royalty Income	<p>means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.</p>

RIGs	means the document published by the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance).
RIIO-1 Justified Material Over-delivery	means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Justified Material Under-delivery	means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Materially Equivalent Output	means an equivalent level of risk to a RIIO-1 Network Output.
RIIO-1 Network Output	means the network replacement outputs as set out in Table 1 of Special Condition 7E (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.
RIIO-1 NOMs Principles	means the principles set out in Chapter 2 of the document titled “Network Output Measures (NOMs) Incentive Methodology” published by the Authority on 6 December 2018.
RIIO-2 Final Determinations	means the documents published by the Authority on 8 December 2020 (and subsequently updated on 3 February 2021) setting out the Authority's decisions in relation to the Price Control Period.
RIIO-2 NIA	means the arrangements established by Special Condition 5.2 (RIIO-2 Network Innovation Allowance) of this licence as in force on 31 March 2026
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part D of Special Condition 5.2 (RIIO-2 Network Innovation Allowance) as in force on 31 March 2026.
RIIO-3 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
RIIO-3 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-3 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).'
RIIO-GT1	means the price control that applied to the licensee for the period of eight Regulatory Years beginning on 1 April 2013.
RIIO-GT1 Bad Debt	means the Bad Debt incurred during RIIO-GT1.
RIIO-GT1 SO Bad Debt	means the SO Bad Debt incurred during RIIO-GT1.
RPEs	has the meaning given to the term “Real Price Effects” in Appendix 1 to the GT2 Price Control Financial Handbook.

Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
Single Points of Failure	means a pipeline system whose failure would result in significant disruption to continuity of supply because of a lack of redundancy in the energy system despite full compliance with the existing regulatory framework.
Short ILI	means work necessary to undertake an In Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is 10km or less requires one or more Maintenance Plan Days.
Short-Cycle Storage Facility	means a Storage Facility which regularly utilises its capability both to withdraw and inject gas into the facility on the same Day.
Shortfall Direction	means: <ul style="list-style-type: none"> (a) in relation to energy administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt", within the meaning of section 169(4) of the Energy Act 2004; (b) in relation to energy supply company administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt" within the meaning of section 99(4) of the Energy Act 2011; or (c) in relation to smart meter communication licensee administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt" within the meaning of section 7(4) of the Smart Meters Act 2018 (including any modifications to such a direction made by any subsequent Shortfall Direction and any Shortfall Direction replacing a previous Shortfall Direction).
Shortfall Payment Recipients	means the persons to whom a payment is to be made under paragraph 9.15.4 of Special Condition 9.15 (NTS shortfall contribution obligations).
Shoulder Months	means the months of October, November, February and March.
Shrinkage Procurement Report	means a report produced by the licensee pursuant to part K of Special Condition 5.6 (System operator external incentives, revenues and costs).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any other Gas Transporter Licensee, or the ISOP that have not been otherwise remunerated by NTS Transportation Owner Charges, Directly Remunerated Services or the SIF Funding Mechanism.
SIF Disallowed Expenditure	means a project undertaken by the licensee or any other Gas Transporter Licensee or the ISOP that the Authority assess as satisfying such requirements of the SIF Governance Document as are

	necessary to enable the project to be funded under the SIF Funding Mechanism.
SIF Funding	means the total amount of funding authorised by the Authority for the licensee, other Gas Transporter Licensees, the ISOP, and any body administering the SIF, in accordance with the provisions of the SIF Governance Document, for the purpose of funding the administration of the SIF and Eligible SIF Projects.
SIF Funding Mechanism	means the mechanism by which the licensee recovers the amount of authorised SIF Funding in any Regulatory Year and apportions that amount between the licensee, other Gas Transporter Licensees, the ISOP, and any body administering the SIF as appropriate in accordance with the SIF Governance Document.
SIF Funding Return	means the total amount, in respect of the licensee, other Gas Transporter Licensees, the ISOP, and any body administering the SIF, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for the recovery from the licensee, from other Gas Transporter Licensees, the ISOP and any body administering the SIF, in each case to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> (a) SIF Halted Project Revenues; (b) SIF Disallowed Expenditure; (c) SIF Returned Royalty Income; (d) SIF Returned Project Revenues; and (e) funds for administering the SIF.
SIF Governance Document	means the document issued by the Authority under Part C of Special Condition 5.7 (The Strategic Innovation Fund)
SIF Halted Project Revenues	means revenues received, whether by the licensee or any other Gas Transporter Licensee, or the ISOP, under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: <ul style="list-style-type: none"> (a) revenues received, whether by the licensee or any other Gas Transporter Licensee or the ISOP, under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance

	Document and/or the terms of the relevant SIF Project Direction; or
	(b) revenues earned from an Eligible SIF Project, whether undertaken by the licensee or any other Gas Transporter Licensee or the ISOP, other than SIF Returned Royalty Income that the Authority determines are payable to customers.
SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any other Gas Transporter Licensee or the ISOP, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.
Significant Interactions	means a direct interaction with a customer via telephone, virtual or face-to-face meetings, or email threads i.e. an interaction that is not transactional or automated. These interactions will usually include solving a query, the provision of information or documents, or a much lengthier ongoing interaction with the customer.
Single-year Monetised Risk	means the Monetised Risk measured over a given one-year time period.
Small Net Zero Projects	means a project that: <ul style="list-style-type: none"> (a) is within the scope of paragraphs 3.6.6.(a) to (d) of Special Condition 3.6 (Net zero Re-opener and Price Control Deliverable); and (b) the cost of which is less than £100m.
SO Actual Corporation Tax Liability	means the proportion of the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs, relating to the licensee's NTS System Operation Activities.
SO Allowed Revenue	is the amount the licensee should aim to recover through its NTS System Operation Charges, derived in accordance with the formula in Part C of Special Condition 2.3 (System operator revenue restriction).
SO Bad Debt	means the expense incurred by the licensee when NTS System Operation Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
SO Calculated Revenue	has the value given to SOR_t in Part E of Special Condition 2.3 (System operator revenue restriction).
SO Calculated Tax Allowance	means the value of the $SOTAXA_t$ term as set out in the "Revenue" sheet of the GT2 Price Control Financial Model relating to the licensee's NTS System Operation Activities.

SO Recovered Revenue	has the value given to $SORR_t$ in accordance with Part B of Special Condition 2.3 (System operator revenue restriction).
SO Recovered Revenue Billed Basis	has the meaning given to that term in Part B of Special Condition 2.3 (System operator revenue restriction) inclusive of SO Bad Debt as defined Part H of Special Condition 2.3 (System operator revenue restriction).
SONIA	means the daily values of the sterling overnight index average, series ID "IUDSOIA", published by the Bank of England (or any other public body acquiring its functions).
Statutory Network Security Standard	has the meaning given to the term "Gas Security Standard" in Standard Special Condition A9 (Pipe-line System Security Standards).
Storage Capacity Notice	<p>means a monthly storage capacity statement provided by a Storage Facility operator to the licensee from time to time, detailing on the first day of each month m of year y:</p> <ul style="list-style-type: none"> (a) the physical capacity of the Short-Cycle Storage Facility under the operation of the relevant Storage Facility operator; (b) the capacity of the Short-Cycle Storage Facility allocated to system users (excluding Operating Margins); (c) the quantity of un-booked capacity at the Short-Cycle Storage Facility; (d) the projected available capacity for the period up until the subsequent submitted Storage Capacity Notice, including the projected total physical deliverability and injectability for the period; and (e) any details of non/reduced availability for the period up until the subsequent submitted Storage Capacity Notice.
Storage Connection Agreement	has the meaning given to that term in the Uniform Network Code.
Storage Facility	has the meaning given to that term in the Uniform Network Code.
Storage Year	has the meaning given to that term in the Uniform Network Code.
Strategic Innovation Fund (SIF)	means the strategic innovation fund established by Special Condition 5.7 (The strategic innovation fund).
Strategic Planning Options Proposal	means the document prepared by the licensee in accordance with Part B of Special Condition 9.11 (Licensee's network planning).
Supply Meter Installation	has the meaning given to that term in the Network Code.
Supply Of NTS Services	<p>means the undertaking and performance for gain and reward of engagements:</p> <ul style="list-style-type: none"> (a) in connection with the conveyance of gas through the NTS other than engagements in connection with

	activities within the definition of the NTS System Operation Activity;
	(b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipeline system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the Distribution Network; and
	(c) for the provision of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.
System Average Price	has the meaning given to that term in the Uniform Network Code.
System Clearing Contract	has the meaning given to that term in the Uniform Network Code.
System Entry Overrun Charges	has the meaning given to that term in the Uniform Network Code.
System Management Principles Statement	means a statement of that name established in accordance with Part C and revised in accordance with Part D of Special Condition 9.20 (System Management Services).
System Management Services	means services in relation to the balancing of gas inputs to and gas offtakes from the NTS and includes Eligible Balancing Actions and Eligible Balancing Action derivatives and Constraint Management services.
System Marginal Buy Price	has the meaning given to that term in the Uniform Network Code.
System Marginal Sell Price	has the meaning given to that term in the Uniform Network Code.
Tax Reconciliation	means the reconciliation between: <ul style="list-style-type: none"> (a) the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and (b) the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability (c) as reported to the Authority as part of the GT2 Price Control Financial Model.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the GT3 Price Control Financial Handbook.
TO Actual Corporation Tax Liability	means the proportion of the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs, relating to the licensee's NTS Transportation Owner Activities.

TO Calculated Tax Allowance	means the value of the TAX_t term as set out the “Revenue” sheet of the GT3 Price Control Financial Model in relation to NTS Transportation Owner Activity.
TO Recovered Revenue	has the value given to RR_t in accordance with Part B of Special Condition 2.1 (Transportation owner revenue restriction).
TO Recovered Revenue Billed Basis	has the meaning given to that term in Part B of Special Condition 2.1 (Transporter owner revenue restriction) inclusive of Bad Debt as defined Part I of Special Condition 2.1 (Transporter owner revenue restriction).
Total NIA Expenditure	means expenditure that satisfies the requirements of the RIIO-3 NIA Governance Document and is partly recovered by the licensee under Part A of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
Totex Allowance	means the sum of values under the heading “Totex allowance” in the “Input” sheet of the GT2 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the GT2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <ul style="list-style-type: none"> (a) the licensee’s Totex Allowance; and (b) the licensee’s actual totex expenditure.
Totex Incentive Strength	has the value of 39%.
Transmission Planning Code	means the document maintained by the licensee in accordance with Special Condition 9.11 (Transmission Planning Code).
Transportation Arrangements	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Transportation Business	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Transportation Constraints	has the meaning given to that term in the Uniform Network Code.
Transportation System	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
UAG	is unaccounted for gas and means the amount of gas (GWh) that remains unaccounted for after the Entry Close-out Date following the assessment of NTS Shrinkage performed in accordance with the Uniform Network Code.
UAG Projects	means the projects currently undertaken by the licensee including: <ul style="list-style-type: none"> (a) the witnessing by the licensee of the validation of Measurement Equipment at NTS System Entry Points or Supply Meter Installations at NTS Exit Points; and (b) investigation and analysis of data in order to seek to identify causes of UAG.
UK Link Gemini	has the meaning given to that term in the Uniform Network Code.

Uncertain Costs	means: (a) Quarry and Loss Development Claim Costs; and (b) Pipeline Diversion Costs.
Uniform Network Code	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Use It Or Lose It Adjustment	means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to: (a) improving cyber resilience in relation to IT or OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it (CYt, CYREt, CYUt)); (b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance); (c) facilitating Biomethane Connections onto the NTS in relation to Special Condition 3.18 (Biomethane Connections (BIOct) use it or lose it allowance (GTO); (d) funding essential repairs and maintenance works on compressors in relation to Special Condition 3.19 (The Compressor Breakdown Use it or lose it allowance which will not exceed the allowance provided.
User	has the meaning given to that term in the Network Code.
Valves	means the valves and related systems, including actuators, seals and vents, that control and isolate the flow of gas at the St Fergus gas terminal.
Valve Operations	means the work necessary to undertake an inspection of valves on the pipeline system to which this licence relates or any part or parts of it.
Very Large Daily Metered Consumers	has the meaning given to that term in the Uniform Network Code.
WACC	means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT3 Price Control Financial Handbook.
Zero Licence Baseline Entry Capacity Point	means a NTS Entry Point, which is not contained within Appendix 1 of Special Condition 9.14 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Entry Capacity allocated and which, as a result, does not give rise to any funding allowance.
Zero Licence Baseline Exit Capacity Point	means a NTS Exit Point, which is not contained within Appendix 2 of Special Condition 9.14 (Capacity Requests, Baseline Capacity and

Capacity Substitution) at which there is zero Licence Baseline Exit Capacity allocated and which, as a result, does not give rise to any baseline funding allowance.

Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence

Introduction

- 1.2.1 The purpose of this licence condition is to vary the standard special conditions in their application for the purposes of this licence.

Part A: Modifications

- 1.2.2 For the purposes of this licence the following standard special conditions are to be read in accordance with the following table:

Standard Special Condition	Provision	Modification
A3 (Definitions and Interpretation)	Sub-paragraph (c)(i) of the definition of “supply of transportation services”	Substitute “(c)(i) facilitating balancing management; and”.
Standard Special Condition A4 (Charging – General)	Paragraph 1(a)	After the words “specified descriptions of gas shippers” insert the words “and/or DN operators as appropriate”.
Standard Special Condition A4 (Charging – General)	Paragraph 2	<p>For the words “NOT USED” substitute the following at sub-paragraphs (a) and (b):</p> <p>“(a) use its reasonable endeavours:</p> <ul style="list-style-type: none">i. not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; andii. not to make any changes to charges or reserve prices in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes to

take place on 1 October in each formula year or at such other time as the Authority may direct;

(b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in paragraph (a)(i) and (a)(ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:

- i. stating the reasons for this change; and
- ii. clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature”.

Standard Special Paragraph
Condition A5 2A(b)
(Obligations as
Regard Charging
Methodology)

For the words “NOT USED” substitute:
“(b) use its reasonable endeavours:

- i. not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and
 - ii. only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may direct”.
-

Chapter 2: Revenue restriction

Special Condition 2.1 Transportation owner revenue restriction (AR_t)

Introduction

- 2.1.1 The purpose of this condition is to place obligations on the licensee in relation to the setting of NTS Transportation Owner Charges.
- 2.1.2 This condition also provides the calculation for Allowed Revenue (AR_t) and TO Recovered Revenue (RR_t).

Part A: Licensee's obligation when setting NTS Transportation Owner Charges

- 2.1.3 The licensee must, when setting NTS Transportation Owner Charges, use its best endeavours to ensure that TO Recovered Revenue equals Target Revenue.
- 2.1.4 Where Target Revenue does not equal Allowed Revenue, the Authority must provide its consent to such an over-recovery or under-recovery.
- 2.1.5 The published or republished value for the term AR_t must be used as directed in the Uniform Network Code, TPD Section Y (Charging Methodologies), Part A (NTS charging methodologies) by the licensee when setting NTS Transportation Owner Charges.
- 2.1.6 The licensee must, when calculating the value of Allowed Revenue, use the latest versions of the GT3 Price Control Financial Model and the GT3 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the GT3 Price Control Financial Instruments).
- 2.1.7 At the same time that it publishes the final notices for NTS Transportation Owner Charges to recover TO Allowed Revenue, the licensee must also publish the following on its website:
 - (a) a copy of the GT3 Price Control Financial Model containing the value of Allowed Revenue it used when calculating the Target Revenue value used to set the relevant NTS Transportation Owner Charges; and
 - (b) the value of Target Revenue used to set the relevant NTS Transportation Owner Charges and the calculation of Target Revenue.
- 2.1.8 The licensee must ensure each copy of the GT3 Price Control Financial Model remains on its website for at least five years.

Part B: Formula for calculating the TO Recovered Revenue term (RR_t)

- 2.1.9 The value of RR_t is derived in accordance with the following formula, net of Bad Debt, as derived in accordance with Part H:

$$RR_t = TOREntC_t + TORExC_t + TORCOM_t - BD_t$$

where:

$TOREntC_t$	means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Entry Capacity: (a) Interruptible Entry Capacity; (b) Non-Incremental Obligated Entry Capacity; and (c) Funded Incremental Obligated Entry Capacity;
$TORExC_t$	means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Exit Capacity: (a) Off-Peak Exit Capacity; (b) Non-Incremental Obligated Exit Capacity; and (c) Funded Incremental Obligated Exit Capacity; and
$TORCOM_t$	means the amount of revenue in respect of NTS Transportation Owner Activity that results from: (a) charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); and (b) payments made by the licensee to Gas Shippers and DN Operators other than revenue earned by the licensee through $TOREntC_t$ and $TORExC_t$.
BD_t	means the Bad Debt term and is derived in accordance with Part H.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

2.1.10 The value of AR_t is derived in accordance with the following formula:

$$AR_t = R_t \times \frac{PI_t}{PI_{2023/24}} + K_t + FP_t + LAR_t$$

where:

R_t	means Calculated Revenue and is derived in accordance with Part D;
PI_t	means the price index term and is derived in accordance with Part E;
$PI_{2023/24}$	Means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with Part E;
K_t	means the K correction term and is derived in accordance with Part F; and
FP_t	means the forecasting penalty and is derived in accordance with Part G; and
LAR_t	means the legacy adjustment term and is derived in accordance with Special Condition 7.1 (Transportation owner legacy adjustments).

Part C: Formula for calculating the Calculated Revenue term (R_t)

2.1.11 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + BPI_t + ODI_t + ORA_t + TAX_t + TAXA_t$$

where:

- FM_t means fast money and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model;
- PT_t means the pass-through items term and is derived in accordance with Special Condition 6.1 (Transportation owner pass-through items);
- DPN_t means RAV depreciation and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model;
- RTN_t means return and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model;
- $RTNA_t$ means return adjustment and is derived in accordance with Special Condition 2.5 (Return Adjustment);
- EIC_t means the allowance for equity issuance costs and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model;
- BPI_t means the business plan incentive term and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model;
- ODI_t means the total output delivery incentive term and is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- ORA_t means total other allowed revenue allowances and is derived in accordance with Special Condition 5.1 (Transportation owner other revenue allowance);
- TAX_t means the tax allowance and has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model and is further described in Chapter 6 of the GT3 Price Control Financial Handbook; and
- $TAXA_t$ means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise in accordance with Special Condition 2.2 (Transportation owner tax allowance adjustment).

Part D: Formula for calculating the price index term (PI_t)

2.1.12 The value of PI_t is the arithmetic average value of each of the twelve-monthly values of PI_m from 1 April to 31 March within Regulatory Year t , derived in accordance with the following formula:

$$PI_m = PI_{m-1} \times \frac{CPIH_m}{CPIH_{m-1}}$$

where:

m refers to a year and month; and

$CPIH_m$ means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m .

Part E: Transportation owner correction term (K_t)

2.1.13 For the Regulatory Years commencing prior to or on 1 April 2026, the value of K_t is zero.

2.1.14 For Regulatory Years commencing after 1 April 2026, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + nomWACC_{t-1})$$

where:

AR_t means Allowed Revenue. For Regulatory Years commencing on or after 1 April 2026 AR_t is derived in accordance with Part C;

RR_t means TO Recovered Revenue and is derived in accordance with Part B; and,

$nomWACC_t$ means the nominal weighted average cost of capital and has the value set out in the "AR" sheet of the GT3 Price Control Financial Model.

2.1.15 The value of K_t is in nominal prices.

Part F: Forecasting penalty (FP_t)

2.1.16 For Regulatory Years commencing prior to 1 April 2028, the value of FP_t is zero.

2.1.17 For Regulatory Years commencing on or after 1 April 2028, the value of FP_t is derived in accordance with the following formula:

$$FP_t = BRFP_t + RRFP_t$$

where:

$BRFP_t$ means the base revenue forecasting penalty and is derived in accordance with paragraph 2.1.17;

$RRFP_t$ means the Recovered Revenue forecasting penalty and is derived in accordance with paragraph 2.1.20; and

2.1.18 The value of $BRFP_t$ is derived in accordance with the following formula:

$$BRFP_t = (BR_{t-1} - BR_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \times BRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

- BR_t means the sum of the terms FM_t , DPN_t , RTN_t and PT_t set out in Part D;
- BR_t^* means the sum of the terms FM_t , DPN_t , RTN_t , PT_t set out in Part D, as at the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.1.7; and
- $BRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.18
- 2.1.19 The Authority will, following discussion with the licensee, direct a value for $BRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that differences between the values of BR_t and BR_t^* were for reasons outside the reasonable control of the licensee.
- 2.1.20 For the avoidance of doubt, differences between the values of BR_t and BR_t^* that are due to the effect of inflation will be disregarded for the purposes of the penalty.
- 2.1.21 The value of $RRFP_t$ is derived in accordance with the following formula:

$$RRFP_t = (RR_{t-1} - TR_{t-1}^*) \times RRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } TR_{t-1}^*/RR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } TR_{t-1}^*/RR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

- RR_t means Recovered Revenue as set out in Part B;
- TR_t^* means the value of Target Revenue published by the licensee in accordance with paragraph 2.1.7; and
- $RRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.21
- 2.1.22 The Authority will following discussion with the licensee, direct a value for $RRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that difference between the values of RR_t and TR_t^* is for reasons outside the reasonable control of the licensee.
- 2.1.23 Before making a direction under paragraphs 2.1.18 and 2.1.21 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 2.1.24 The value of FP_t is in nominal prices.

Part G: Formula for calculating the Bad Debt term (BD_t)

2.1.25 The value of BD_t is derived in accordance with the following formula:

$$BD_t = BDA_t - RBD_t$$

where:

BDA_t means the value of Bad Debt the licensee has incurred or expects to incur, inclusive of COVID-19 Transportation Owner Bad Debt, with respect to NTS Transportation Owner Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and

RBD_t means the value of Bad Debt previously recovered, inclusive of COVID-19 Transportation Owner Bad Debt, by the licensee via the BDA_t term, where the licensee has been paid by the Defaulting Gas Shipper or been credited by the administrator or liquidator of a Defaulting Gas Shipper.

Special Condition 2.2 Transportation owner tax allowance adjustment (TAXA_t)

Introduction

- 2.2.1 The purpose of this condition is to establish a process for setting the value of the term TAXA_t (the tax allowance adjustment term), which contributes to Calculated Revenue in Special Condition 2.1 (Transportation owner Revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required following a review of the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT3 Price Control Financial Handbook.
- 2.2.3 It also explains the process the Authority will follow when directing any change in the value of TAXA_t as a result of the tax review.

Part A: Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review in accordance with Chapter 6 of the GT3 Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the Authority must procure the services of an Appropriately Qualified Independent Examiner to carry out the tax review and provide its findings to the Authority within a reasonable time frame. In this instance, the licensee must:

- (a) Provide the Authority and the Appropriately Qualified Independent Examiner with access to any relevant information that they may require to examine the differences between the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and
 - (b) Carry out any reasonable steps specified by the Authority or the Appropriately Qualified Independent Examiner for the purposes of the tax review.
- 2.2.6 Following receipt of the Appropriately Qualified Independent Examiner's findings the Authority may direct an adjustment to the value of the TAXAt term if required, in accordance with Chapter 6 of the GT3 Price Control Financial Handbook specifying the Regulatory Years to which that adjustment relates.

Part B: The process for making a direction

- 2.2.7 Before making a direction under paragraph 2.2.8, the Authority must send to the licensee and publish on the Authority's website:
 - (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.3 System operator revenue restriction (SOAR_t)

Introduction

- 2.3.1 The purpose of this condition is to place obligations on the licensee in relation to the setting of NTS System Operation Charges .
- 2.3.2 This condition also provides the calculation for SO Allowed Revenue (SOAR_t) and Recovered Revenue (SORR_t).

Part A: Licensee's obligation when setting NTS System Operation Charges

- 2.3.3 The licensee must, when setting NTS System Operation Charges, use its best endeavours to ensure that SO Recovered Revenue equals SO Target Revenue.
- 2.3.4 Where SO Target Revenue does not equal SO Allowed Revenue, the Authority must provide its consent to such an over-recovery or under-recovery.
- 2.3.5 The published or republished value for the term SOAR_t must be used as directed in the Uniform Network Code, TPD Section Y (Charging Methodologies), Part A (NTS charging methodologies) by the licensee when setting NTS System Operation Charges.
- 2.3.6 The licensee must, when calculating the value of SO Allowed Revenue, use the latest versions of the GT3 Price Control Financial Model and the GT3 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the GT3 Price Control Financial Instruments).

2.3.7 At the same time that it publishes the final notices for Transportation Charges to recover SO Allowed Revenue, the licensee must also publish the following on its website:

- (a) a copy of the GT3 Price Control Financial Model containing the value of SO Allowed Revenue it used when calculating the SO Target Revenue used to set the relevant Transportation Charges; and
- (b) the value of SO Target Revenue used to set the relevant Transportation Charges and the calculation of SO Target Revenue; and
- (c) The licensee must ensure each copy of the GT3 Price Control Financial Model remains on its website for at least five years.

Part B: Formula for calculating the SO Recovered Revenue term (SORR_t)

2.3.8 The value of SORR_t is derived in accordance with the following formula:

$$SORR_t = SOREntC_t + SORExC_t + RCOM_t + SOROC_t - SOBD_t$$

where:

SOREntC_t means the amount of revenue in respect of NTS System Operation Activity that results from the sale of Non-Obligated Entry Capacity;

SORExC_t means the amount of revenue in respect of NTS System Operation Activity that results from the sale of Non-Obligated Exit Capacity;

RCOM_t means the amount of revenue in respect of NTS System Operation Activity that results from charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General) in respect of NTS System Operation Activity. This includes revenue from charges to recover costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from NTS System Operation Activity other than revenue earned by the licensee through:

- (a) *SOREntC_t*;
- (b) *SORExC_t*;
- (c) *SOROC_t*; and
- (d) revenues received by the licensee from the sale of gas purchased by the licensee in respect of its use of Constrained Storage Facilities in order to avoid Transportation Constraints; and

SOROC_t means the amount of revenue derived by the licensee through associated NTS System Operation Charges and is derived in accordance with the following formula:

$$SOROC_t = RNC_t + RCOR_t + FTI_t + RLOC_t + RADD_t$$

where:

RNC_t	means net revenue derived by the licensee from Balancing Neutrality Charges;
$RCOR_t$	means the revenue derived by the licensee from System Entry Overrun Charges;
FTI_t	means the revenue derived by the licensee from charges levied on Gas Shippers and DN Operators in respect of any Failure To Interrupt;
$RLOC_t$	means the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges; and
$RADD_t$	has the meaning given in paragraph 5.5.5 of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management); and
$SOBD_t$	means the System Operator Bad Debt term and is derived in accordance with Part G.

Part C: Formula for calculating the SO Allowed Revenue term (SOAR_t)

2.3.9 The value of SOAR_t is derived in accordance with the following formula:

$$SOAR_t = SOR_t \times \frac{PI_t}{PI_{2023/24}} + SOK_t + SOFP_t + SOLAR_t$$

where:

SOR_t	means SO Calculated Revenue and is derived in accordance with Part D;
PI_t	means the price index term and is derived in accordance with Part E of Special Condition 2.1 (Transportation Owner Revenue Restriction);
$PI_{2023/24}$	means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with Part E of Special Condition 2.1 (Transportation Owner Revenue Restriction);
SOK_t	means the SO K correction term and is derived in accordance with Part E; and
$SOFP_t$	means the forecasting penalty and is derived in accordance with Part F; and
$SOLAR_t$	means the SO legacy adjustment term and is derived in accordance with Special Condition 7.10 (System operator legacy adjustments).

Part D: Formula for calculating the SO Calculated Revenue term (SOR_t)

2.3.10 The value of SOR_t is derived in accordance with the following formula:

$$SOR_t = SOFM_t + SOPT_t + SODPN_t + SORTN_t + SOORA_t + SOTAX_t + SOTAXA_t$$

where:

- $SOFM_t$ means fast money and has the value set out in the “System Operator” sheet of the GT3 Price Control Financial Model;
- $SOPT_t$ means the pass-through items term and is derived in accordance with Special Condition 6.3 (System operator pass-through items);
- $SODPN_t$ means RAV depreciation and has the value set out in the “System Operator” sheet of the GT3 Price Control Financial Model;
- $SORTN_t$ means return and has the value set out in the “System Operator” sheet of the GT3 Price Control Financial Model;
- $SOORA_t$ means total SO other allowed revenue allowances and is derived in accordance with Special Condition 5.4 (System operator other revenue allowance);
- $SOTAX_t$ has the value set out in the “System Operator” sheet of the GT3 Price Control Financial Model; and
- $SOTAXA_t$ means the SO tax allowance adjustment term and has the value zero unless the Authority directs otherwise in accordance with Special Condition 2.4 (System operator tax allowance adjustment).

Part E: SO K correction term (SOK_t)

- 2.3.11 For the Regulatory Years commencing prior to or on 1 April 2026, the value of SOK_t is zero.
- 2.3.12 For Regulatory Years commencing after 1 April 2026, the value of SOK_t is derived in accordance with the following formula:

$$SOK_t = (SOAR_{t-1} - SORR_{t-1})(1 + nomWACC_{t-1})$$

where:

- $SOAR_t$ for Regulatory Years commencing on or after 1 April 2026 $SOAR_t$ is derived in accordance with Part C.;
- $SORR_t$ means SO Recovered Revenue and derived in accordance with Part B; and
- $nomWACC_t$ means nominal weighted average cost of capital and has the value set out in the “System Operator” sheet of the GT3 Price Control Financial Model. ;

Part F: System Operator Forecasting penalty ($SOPF_t$)

- 2.3.13 For Regulatory Years commencing prior to 1 April 2028, the value of $SOPF_t$ is zero.
- 2.3.14 For Regulatory Years commencing on or after 1 April 2028, the value of $SOPF_t$ is derived in accordance with the following formula:

$$SOPF_t = SOBRFP_t + SORRFP_t$$

where:

$SOBRFP_t$ means the base revenue forecasting penalty and is derived in accordance with paragraph 2.3.16; and

$SORRFP_t$ means the Recovered Revenue forecasting penalty and is derived in accordance with paragraph 2.3.19.

2.3.15 The value of $SOBRFP_t$ is derived in accordance with the following formula:

$$SOBRFP_t = (SOBR_{t-1} - SOBR_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \times SOBRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } SOBR_{t-1}^*/SOBR_{t-1} \geq 1.12 \\ -1.15\% & \text{if } SOBR_{t-1}^*/SOBR_{t-1} \leq 0.88 \\ 0, & \text{otherwise} \end{cases}$$

where:

$SOBR_t$ means the sum of the terms $SOFM_t$, $SODPN_t$, $SORTN_t$ and $SOPT_t$ as set out in Part D;

$SOBR_t^*$ means the sum of the terms $SOFM_t$, $SODPN_t$, $SORTN_t$ and $SOPT_t$ set out in Part D, as at the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.3.7; and

$SOBRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.3.17.

2.3.16 The Authority will, following discussion with the licensee, direct a value for $SOBRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that differences between the values of $SOBR_t$ and $SOBR_t^*$ were for reasons outside the reasonable control of the licensee.

2.3.17 For the avoidance of doubt, differences between the values of $SOBR_t$ and $SOBR_t^*$ that are due to the effect of inflation will be disregarded for the purposes of the penalty.

2.3.18 The value of $SORRFP_t$ is derived in accordance with the following formula:

$$SORRFP_t = (SORR_{t-1} - SOTR_{t-1}^*) \times SORRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } SOTR_{t-1}^*/SORR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } SOTR_{t-1}^*/SORR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

$SORR_t$ means Recovered Revenue as set out in Part B;

$SOTR_t^*$ means the value of Target Revenue published by the licensee in accordance with paragraph 2.3.7; and

$SORRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.3.20.

2.3.19 The Authority will following discussion with the licensee, direct a value for $SORRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that

the difference between $SORR_t$ and $SOTR^*$ is for reasons outside the reasonable control of the licensee.

2.3.20 Before making a direction under paragraphs 2.3.17 and 2.3.20 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- (d) The value of SOF_{Pt} is in nominal prices.

Part G: Formula for calculating the System Operator Bad Debt term ($SOBD_t$)

2.3.21 The value of $SOBD_t$ is derived in accordance with the following formula:

$$SOBD_t = SOBDA_t - SORBD_t$$

where:

- $SOBDA_t$ means the value of SO Bad Debt the licensee has incurred or expects to incur, inclusive of COVID-19 System Operator Bad Debt, with respect to NTS System Operation Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and
- $SORBD_t$ means the value of SO Bad Debt previously recovered, inclusive of COVID-19 System Operator Bad Debt, by the licensee via the $SOBDA_t$ term, where the licensee has been paid by the administrator or liquidator of a Defaulting Gas Shipper.

Special Condition 2.4 System operator tax allowance adjustment ($SOTAXA_t$)

- 2.4.1 The purpose of this condition is to establish a process for setting the value of the term $SOTAXA_t$ (the tax allowance adjustment term), which contributes to SO Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.4.2 The effect is to adjust SO Calculated Revenue, if required following a review of the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT3 Price Control Financial Handbook.
- 2.4.3 It also explains the process the Authority will follow when directing any change as a result of the tax review.

Part A: Undertaking a tax review

- 2.4.4 The Authority may undertake a tax review in accordance with Chapter 6 of the GT3 Price Control Financial Handbook.
- 2.4.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the Authority must procure the services of an Appropriately Qualified Independent Examiner to carry out the tax review and provide its findings to the Authority within a reasonable time frame. In this instance, the licensee must:
- (a) Provide the Authority and the Appropriately Qualified Independent Examiner with access to any relevant information that they may require to examine the differences between the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability; and
 - (b) Carry out any reasonable steps specified by the Authority or the Appropriately Qualified Independent Examiner for the purposes of the tax review.
- 2.4.6 Following receipt of the Appropriately Qualified Independent Examiner's findings the Authority may direct an adjustment to the value of the $SOTAX_t$ term if required, in accordance with Chapter 6 of the GT3 Price Control Financial Handbook specifying the Regulatory Years to which that adjustment relates.

Part B: The process for making a direction

- 2.4.7 Before making a direction under paragraph 2.4.6, the Authority must send to the licensee and publish on the Authority's website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.5 Return Adjustment ($RTNA_t$)

Introduction

- 2.5.1 The purpose of this condition is to calculate the term $RTNA_t$ (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 2.5.2 The effect of this condition is to adjust the TO Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.5.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.5.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.5.5 Following its review, the Authority will direct any adjustment to the value of the term $RTNA_t$ in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the GT3 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term ($RTNA_t$)

- 2.5.6 The value of $RTNA_t$ is derived in accordance with the following formula:

$$RTNA_t = RTNR \times \frac{RAVL_t \times (1 - G)}{\sum_{t=2026/27}^{2030/31} RAVL_t \times (1 - G)}$$

where:

- $RTNR$ means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.5.7 and 2.5.8;
- $RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the GT3 Price Control Financial Model; and
- G means notional gearing, and has the value of 60%.

- 2.5.7 Where Operational Performance is equal to or greater than zero, the value of $RTNR$ is derived in accordance with the following formula:

$$RTNR = \sum_{t=2026/27}^{2030/31} RAVL_t \times (1 - G) \times$$

$$[-MAX(MIN(OPP, T2) - T1, 0) \times AR1 - MAX(OPP - T2, 0) \times AR2]$$

where:

- $RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the GT3 Price Control Financial Model;
- G means notional gearing, and has the value of 60%;
- OPP means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the GT3 Price Control Financial Model;
- $T1$ means threshold 1, and has the value of 3%;
- $T2$ means threshold 2, and has the value of 4%;
- $AR1$ means adjustment rate 1, and has the value of 50%; and
- $AR2$ means adjustment rate 2, and has the value of 90%.

- 2.5.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2026/27}^{2030/31} RAVL_t \times (1 - G) \times$$

$$[MAX (MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]$$

where each term has the meaning given in paragraph 2.5.7.

Part C: The process for making a direction.

- 2.5.9 Before making a direction under paragraph 2.5.5, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.
- 2.5.10 A direction under paragraph 2.5.5 will set out the value of the RTNA_t term and the Regulatory Years to which that adjustment relates.

Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs ($NARM_t$ and $NARMAH_t$)

Introduction

- 3.1.1 This condition specifies the value of the term $NARM_t$ (the Baseline Allowed NARM Expenditure term), which contributes to the calculation of the Totex Allowance.
- 3.1.2 The purpose of this condition is to:
- (a) set out the Baseline Network Risk Outputs that the licensee is funded to deliver;
 - (b) provide for a mechanism to adjust funding and for the application of a penalty in certain circumstances;
 - (c) provide for the Rebasing of Baseline Network Risk Outputs; and
 - (d) require the licensee to provide a close out report.
- 3.1.3 This condition also establishes:
- (a) the NARM Handbook;
 - (b) the Network Asset Risk Workbook; and
 - (c) a robust and transparent change control framework for those documents.

Part A: Formulae for calculating the Baseline Allowed NARM Expenditure term ($NARM_t$) and the NARM asset health Re-opener term ($NARMAH_t$)

- 3.1.4 The value of $NARM_t$ is derived in accordance with the following formula:

$$NARM_t = NARMA_t - NARMR_t$$

where:

$NARMA_t$ means the Baseline Allowed NARM Expenditure in Appendix 1;
and

$NARMR_t$ has the value zero unless adjusted by the Authority under section 23 of the Act in accordance with Part B.

- 3.1.5 The value of $NARMAH_t$ is derived in accordance with the following formula:

$$NARMAH_t = NARMAHO_t - NARMAHR_t$$

where:

$NARMAHO_t$ means the sum of allowances directed by the Authority in accordance with paragraphs 3.14.4(b), 3.14.8(b) and 3.14.9(b) of Special Condition 3.14 (Asset health Re-opener); and

$NARMAHR_t$ has the value zero unless adjusted by the Authority ~~in accordance with Part B and~~ under section 23 of the Act in accordance with Part B.

Part B: Requirement to deliver Baseline Network Risk Outputs

- 3.1.6 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 1.
- 3.1.7 Where the Outturn Network Risk Outputs are different to the Baseline Network Risk Outputs, any funding adjustments and penalties will be calculated by the Authority in accordance with the NARM Handbook and using the data in the Network Asset Risk Workbook.

Part C: Rebasing of Baseline Network Risk Outputs

- 3.1.8 The licensee must, when submitting Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:
 - (a) calculated using the NARM Methodology approved under paragraph 9.2.9 of Special Condition 9.2;
 - (b) representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
 - (c) Equally Challenging as the Baseline Network Risk Outputs; and
 - (d) in the same format as the Network Asset Risk Workbook.
- 3.1.9 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:
 - (a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.8;
 - (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.8; or
 - (c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.8 and the Authority is unable to adjust them to make them satisfy those criteria.
- 3.1.10 Before issuing a direction under paragraph 3.1.9, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons for the proposed direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.1.11 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.9(a) or (b):

- (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
- (b) the direction under paragraph 3.1.9(a) or (b) will modify Appendix 1 to reflect this.

Part D: Requirement to provide a closeout report

3.1.12 On or before 31 October 2031, the licensee must provide to the Authority a report, together with detailed supporting evidence, setting out the following:

- (a) the licensee's Outturn Network Risk Outputs and a breakdown of those Outturn Network Risk Outputs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
- (b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
- (c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs;
- (d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified; and
- (e) details of any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers qualify as 'clearly identifiable over-delivery' or 'clearly identifiable under-delivery' as per the criteria set out in the NARM Handbook.

Part E: The NARM Handbook

3.1.13 The NARM Handbook forms part of this condition.

3.1.14 The Authority will publish the NARM Handbook on the Authority's Website.

3.1.15 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.16 that if made would improve the clarity or usefulness to users of the NARM Handbook.

3.1.16 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, renaming or re-ordering of sections;
- (b) deleting irrelevant material such as transitional provisions that have expired;

- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the Network Asset Risk Workbook;
 - (e) correction of manifest errors; and
 - (f) changes to the guidance provided by the NARM Handbook.
- 3.1.17 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended NARM Handbook;
 - (b) the date on which the Authority intends the amended NARM Handbook to come into effect;
 - (c) the reasons for the amendments to the NARM Handbook; and
 - (d) a period during which representations may be made on the amendments to the NARM Handbook, which will not be less than 28 days.
- 3.1.18 The Authority will ensure that any modifications of the NARM Handbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the NARM Handbook maintained on the Authority's Website.

Part F: The Network Asset Risk Workbook

- 3.1.19 The Network Asset Risk Workbook forms part of this condition.
- 3.1.20 The Authority will:
- (a) send to the licensee the Network Asset Risk Workbook; and
 - (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.
- 3.1.21 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.22 that if made would improve the clarity or usefulness to users of the Network Asset Risk Workbook.
- 3.1.22 The following categories of modifications may be made under this Part:
- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;

- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the NARM Handbook; and
 - (e) correction of manifest errors.
- 3.1.23 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:
- (a) the amended Network Asset Risk Workbook;
 - (b) the date on which the Authority intends the amended Network Asset Risk Workbook to come into effect;
 - (c) the reasons for the amendments to the Network Asset Risk Workbook; and
 - (d) a period during which representations may be made on the amendments to the Network Asset Risk Workbook, which will not be less than 28 days.
- 3.1.24 The Authority will:
- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;
 - (b) send the consolidated version to the licensee; and
 - (c) maintain a redacted consolidated version on the Authority's Website.

Appendix 1

Cumulative total of Baseline Network Risk Outputs (R£m*) and Baseline Allowed NARM Expenditure (NARM _t) for delivering Baseline Network Risk Outputs (£m)						
Baseline Network Risk Output (R£m)	Baseline Allowed NARM Expenditure, excluding RPEs (£m)					RHIO-3 Total
	2026/27	2027/28	2028/29	2029/30	2030/31	

* RE is the unit used to denote Monetised Risk values.

Special Condition 3.2 Cyber resilience Re-opener, Price Control Deliverable, and Use It Or Lose It (CY_t, CYRE_t, CYU_t)

Introduction

- 3.2.1 The purpose of this condition is to calculate the defined investment terms CY_t (the Cyber resilience baseline term) and CYRE_t (the Cyber resilience non-baseline term) and the use it or lose it allowance (CYU_t). These contribute to the calculation of the Totex Allowance.
- 3.2.2 The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable in the instance of CY_t and $CYRE_t$.
- (b) establish the outputs, delivery dates and associated allowances in the instance of CYU_t where allowances are awarded but no Price Control Deliverable is required to be established in accordance with the Cyber Resilience Business Plan Submission Assessment Methodology and Requirements document
- (c) establish Re-openers for the licensee and Authority to trigger amendments to the Price Control Deliverables, during the Price Control Period, and
- (d) provide for an assessment of CYU_t uncertain investments that are awarded outside of the Price Control Deliverable.

3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.14 or 3.2.15.

Part A: Formulae for calculating the Cyber resilience baseline terms, TIM (CY_t), and the Cyber resilience non-baseline term ($CYRE_t$) and the UIOLI allowance term, (CYU_t)

3.2.4 The value of CY_t is derived in accordance with the following formula:

$$CY_t = CYA_t - CYRA_t$$

where:

CYA_t has the value set out in the Cyber Resilience Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.2.13(a) – (c); and

$CYRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.2.5 The value of $CYRE_t$ is derived in accordance with the following formula:

$$CYRE_t = CYO_t - CYRO_t$$

where:

CYO_t has the value set out in the Cyber Resilience Non-Baseline Allowances Table as a result of circumstances set out in paragraphs 3.2.13(a) to (c) ; and

$CYRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.2.6 The UIOLI allowance that is not reportable in the annual Price Control Deliverable report but is assessed at the end of the three-year period through the evaluative assessment.

3.2.7 The value of CYU_t is derived in accordance with the following formula:

$$CYU_t = CYAU_t - CYRAU_t$$

where:

CYAU_t has the value set out in the Cyber Resilience Baseline Allowances Table as a result of circumstance set out in paragraph 3.2.13(a); and

CYRAU_t has the value directed by the Authority in accordance with Part E.

Part B: Cyber resilience outputs

3.2.8 The Cyber Resilience PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.9 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience PCD Table.

Part C: Requirement to submit a Cyber resilience Plan and Re-opener application

3.2.10 The licensee must Between xx [Month] xxxx and xx [Month] xxxx submit to the Authority:

- (a) a Cyber Resilience Plan; and
- (b) an application for a direction by the Authority requesting the Cyber Resilience PCD Table as it considers are warranted by its Cyber Resilience Plan.

3.2.11 A Cyber Resilience Plan submitted under paragraph 3.2.10(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to the NCSC CAF contributing outcomes.

3.2.12 An application under paragraph 3.2.10(b) must be made in writing and:

- (a) Include statements
- (b) Setting out any amendments requested to the Cyber Resilience PCD Table;
- (c) Explaining how any amendments requested would improve cyber resilience, including risk reduction on the licensee's network and information systems with respect to NCSC CAF Contributing outcomes; and
- (d) Explaining the basis of the calculations for any amendments requested to allowances; and
- (e) Provide such detailed supporting evidence as is reasonable in the circumstances

Part D: Cyber Resilience Re-opener

3.2.13 This part establishes a Re-opener that may be used where there are:

- (a) new activities, including new technology, capable of improving cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes;
 - (b) changes to levels of risks or threats relating to cyber resilience, that take the licensee outside of its organisational risk appetite; or
 - (c) changes to statutory or regulatory requirements relating to cyber resilience;
- 3.2.14 The licensee may only apply to the Authority for changes under this Re-opener Between 3 April 2028 and 7 April 2028, or during such other periods as the Authority may direct.
- 3.2.15 The Authority may only make changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.13.
- 3.2.16 An application under paragraph 3.2.14 must be made in writing to the Authority and must:
 - (a) Give details of the circumstances referred to in paragraph 3.2.15 that the licensee considers exist;
 - (b) Set out any additions requested to the outputs, delivery dates or allowances set out in the Cyber Resilience Non-Baseline Allowances Table;
 - (c) Explain how any additions requested would improve cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing outcomes;
 - (d) Explain the basis of the calculations for any amendments requested to allowances; and
 - (e) Provide such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.17 An application under paragraph 3.2.14 must:
 - (a) Relate to circumstances of the type referred to in paragraph 3.2.15 that have developed since the licensee submitted its Cyber Resilience Plan under paragraph 3.2.13;
 - (b) Take account of any allowed expenditure, which can be avoided as a result of the change; and
 - (c) Be confined to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.2.18 The Authority may only make changes under this Re-opener by direction:
 - (a) Where a circumstance in paragraph 3.2.13 exists;
 - (b) If an application was made by the licensee under paragraph 3.2.14, where the requirements in paragraphs 3.2.16 and 3.2.17 have been met;

- (c) If the relevant circumstance is that set out in paragraphs 3.2.13(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience;
- (d) If the relevant circumstance is that set out in paragraph 3.2.13(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience;
- (e) Where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience.

3.2.19 A direction under this Part:

- (a) May append allowances in the Cyber Resilience Non-Baseline Allowances Table as a result of circumstances set out in paragraph 3.2.13(a)-(c);
- (b) May modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience Non-baseline Allowances Table and the Cyber Resilience PCD Table;
- (c) Will set out the value of the CYO_t term where this is being appended; and
- (d) must be confined to costs incurred or expected to be incurred on or after 1st April 2026.

Part E: Assessment of Delivery under this condition ($CYRA_t$, $CYRO_t$ and $CYRAU_t$)

3.2.20 The Authority will, in accordance with the assessment principles set out Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), considering directing a value for $CYRA_t$ or $CYRO_t$, where the licensee has not Fully Delivered an output in the Cyber Resilience PCD table.

3.2.21 Direct an amendment to the value of Use It or Lose It, where it considers that a Use It Or Lose It allowance is appropriate.

Part F: Reporting Requirements (see Appendix 1)

3.2.22 The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- (a) A summary of progress against key milestones contained in the licensee's Improvement Plan;
- (b) A summary of developments against the outputs in the Cyber Resilience PCD table;
- (c) The licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience, including risk reduction;
- (d) A description of how the licensee has considered any relevant guidance provided by the Authority; and
- (e) Such detailed supporting evidence as is reasonable in the circumstances.

3.2.23 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.22 by no later than the dates, and in relation to the periods, set out in Appendix 3 [under draft]

Part G: What process will the Authority follow in making a direction?

3.2.24 Before making a direction under paragraph 3.2.15 the Authority will send to the licensee:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.

3.2.25 The direction under paragraph 3.2.24 must set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $CYRA_t$, $CYRO_t$ and $CYRAU_t$ term and the Regulatory Years to which that adjustment relates, and,
- (c) the methodology and data that has been used to decide the matters required by sub-paragraphs (a) and (b), where applicable.

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from xx xxx xxxx to xx xx xxxx	Associated periods to be reported on
xx xxxx	xx xxxx to xx xxxx

Appendix 1 [under draft]

Appendix 2 [under draft]

Special Condition 3.3 Resilience Re-opener and Price Control Deliverable ($RESRE_t$, $PSUP_t$ and $PSUPRE_t$)

3.3.1 The purpose of this condition is to set the value of $PSUPRE_t$, $PSUP_t$, and $RESRE_t$ (the Resilience Reopener terms). This contributes to the calculation of the Totex Allowance.

3.3.2 The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Physical Security Price Control Deliverable (the PCD);
- (b) establish a re-opener mechanism for the licensee and the Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period;

- (c) calculate the value of the Resilience Re-opener allowance;
- (d) establish a mechanism to allow for adjustments to allowances where the licensee is required to undertake Resilience Activities not anticipated at the start of the Price Control Period; and
- (e) provide for an assessment of the Price Control Deliverable.

3.3.3 This condition also sets out the process the Authority will follow when making any changes as a result of the Resilience Re-opener.

Part A: Formulae for calculating the physical security Price Control Deliverable term ($PSUP_t$), the physical security Re-opener ($PSUPRE_t$) and the Resilience Activity ($RESRE_t$) terms

3.3.4 The value of $PSUP_t$ is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

$PSUPA_t$ means the sum of allowances in the Physical Security Baseline Allowances Table in Appendix 1; and

$PSUPRA_t$ has the value zero unless otherwise directed by the Authority in accordance with paragraphs 3.3.13 or 3.3.14.

3.3.5 The value of $PSUPRE_t$ is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

$PSUPO_t$ means the sum of allowances directed by the Authority as set out in Part B; and

$PSUPRO_t$ has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.3.14.

3.3.6 The value of the Resilience Activity terms ($RESRE_t$) is set out in Appendix 3.

Part B: Physical Security Re-opener ($PSUP_t$) and Physical Security PCD

3.3.7 This Part establishes the Physical Security PCD and Re-opener. The Physical Security PCD is provided for in the Physical Security PCD Table in Appendix 2.

3.3.8 The licensee may apply to the Authority for a direction amending the Physical Security PCD Table where the scope of work of an existing output changes as a result of Physical Security Requirements.

3.3.9 The licensee may only apply to the Authority under paragraph 3.3.8 between:

- (a) 1 April 2028 and 8 April 2028; and
- (b) 1 April 2030 and 8 April 2030; or
- (c) during such other periods as the Authority may direct.

- 3.3.10 An application under paragraph 3.3.8 must be made in writing to the Authority and set out:
- (a) the changes to the scope of work the licensee is required to carry out under the Physical Security Requirements;
 - (b) the Critical National Infrastructure classification for each site to which the application relates;
 - (c) any amendments requested to the outputs, delivery dates or allowances in the Physical Security PCD Table;
 - (d) an explanation of the basis of the calculations for any amendments requested to allowances; and
 - (e) such detailed supporting evidence as is reasonable in the circumstances.
- 3.3.11 An application under paragraph 3.3.8 must only:
- (a) relate to changes to the scope of work the licensee is required to carry out relating to Physical Security Requirements on or after 19 December 2024;
 - (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.3.12 The Authority may amend the outputs, delivery dates or allowances by direction without an application by the licensee where there have been changes to the scope of works as a result of the Physical Security Requirements works that the licensee is required to carry out that:
- (a) have been mandated on or after 19 December 2024; and
 - (b) relate to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.3.13 A direction under paragraphs 3.3.8 or 3.3.12 will:
- (a) set out in full the Physical Security PCD Table as amended; and
 - (b) replace the text in Appendix 2 with the title and publication date of the direction.
- 3.3.14 The Authority may, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), direct a value for $PSUPRA_t$ and $PSUPRO_t$ where the licensee has not Fully Delivered an output in Appendix 2.
- 3.3.15 A direction made under paragraph 3.3.14 will set out:
- (a) the delivery status of the output that has not been fully delivered;
 - (b) the values of the $PSUPRA_t$ and $PSUPRO_t$ terms and the Regulatory Years to which those adjustments relate; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $PSUPRA_t$ and $PSUPRO_t$ terms.

Part C: Resilience Activity term (RESRE_t) and Resilience Activity term re-opener

- 3.3.16 This Part establishes the Resilience Activity term cost re-opener, which is set out in Appendix 3.
- 3.3.17 The licensee may apply for a direction amending:
- (a) The allowances set out in Appendix 3; and
 - (b) The RESRE_t;
 - (c) where the licensee incurs, or expects to incur, material additional costs associated with Resilience Activity that were not included in the baseline allowances on or after 1 April 2026.
- 3.3.18 The Authority may make a direction amending the outputs or allowances set out in Appendix 3 without an application being made under 3.3.17 where it considers that such an application is not necessary
- 3.3.19 An application made by the licensee under 3.3.17 must be made in writing and include:
- (a) the scope of works associated with the Resilience Activity outputs provided for on or after 1 April 2026;
 - (b) the scope of additional Resilience Activity works that the licensee has incurred, or expects to incur;
 - (c) any modifications to the value of RESRE_t in Appendix 3 being sought as a result of the additional Resilience Activity works;
 - (d) an explanation of the basis for calculating any modifications requested to allowances and the profiling of those allowances set out in Appendix 3; and
 - (e) why the costs for the additional Resilience Activity works are justified.
- 3.3.20 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
 - (b) relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.
- 3.3.21 For the purposes of this Part, the Materiality Threshold is calculated by multiplying the sum of the proposed adjustment to the costs for the additional Resilience Activity works with the applicable Totex Incentive Mechanism (TIM) sharing factor, and that figure exceeds 0.5% of the licensee's average annual ex ante base revenue over the Price Control Period.
- 3.3.22 Before making a direction under this Part the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and

- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Appendix 1

Title and publication date of document containing the Physical Security Baseline Allowances Table

Title	Publication Date
XX	XXX

Appendix 2

Title and publication date of document containing the Physical Security PCD Table

Title	Publication Date
XXX	XXXX

Appendix 3

Title and publication date of document containing the Resilience Activity Table

Title	Publication Date
XXX	XXXX

Special Condition 3.4 Net Zero And Re-opener Development Fund use it or lose it allowance (RDF_t)

Introduction

- 3.4.1 The purpose of this condition is to calculate the term RDF_t (the Net Zero And Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.
- 3.4.2 The effect of this condition is to:
- (a) specify the allowance for the Net Zero And Re-opener Development Fund;
 - (b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
 - (c) provide for a Use It Or Lose It Adjustment.
- 3.4.3 This condition also explains the process the Authority will follow when issuing or amending the Net Zero and Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF_t)

3.4.4 The value of RDF_t is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

where:

$RDFA_t$ means the allowances in Appendix 1 that relate to the licensee; and

$RDFR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Net Zero and Re-opener Development Fund Governance Document

3.4.5 The licensee must comply with the Net Zero And Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this condition.

3.4.6 The Authority will issue and amend the Net Zero And Re-opener Development Fund Governance Document by direction.

3.4.7 The Authority will publish the Net Zero And Re-opener Development Fund Governance Document on the Authority's Website.

3.4.8 The Net Zero And Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:

(a) the definition of "allowable RDF expenditure" and "unrecoverable RDF expenditure";

(b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and

(c) the reporting obligations in respect of which expenditure incurred in relation to Net Zero And Re-opener Development Fund must meet.

3.4.9 Before directing that the Net Zero And Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority's Website:

(a) the text of the proposed Net Zero And Re-opener Development Fund Governance Document;

(b) the date on which the Authority intends the Net Zero And Re-opener Development Fund Governance Document to come into effect; and

(c) a period during which representations may be made on the content of the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

3.4.10 Before directing an amendment to the Net Zero And Re-opener Development Fund Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Net Zero And Re-opener Development Fund Governance Document;
- (b) the date on which the Authority intends the amended Net Zero And Re-opener Development Fund Governance Document to come into effect;
- (c) the reasons for the amendments to the Net Zero And Re-opener Development Fund Governance Document; and
- (d) a period during which representations may be made on the amendments to the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

- 3.4.11 The Authority will direct an amendment to the value of $RDFR_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Process for making a direction

- 3.4.12 Before making a direction under paragraph 3.5.11, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.4.13 The direction will set out the value of the $RDFR_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 1

Net Zero And Re-opener Development Fund allowance (RDFAt) by Regulatory Year (£m)

2026/27	2027/28	2028/29	2029/30	2030/31	Total
XX	XX	XX	XX	XX	XX

Special Condition 3.5 Net zero Re-opener and Price Control Deliverable (NZ_t)

Introduction

- 3.5.1 The purpose of this condition is to calculate the term NZ_t (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.5.2 The effect of this condition is to:
- (a) specify any Price Control Deliverable relating to Net Zero Developments;

- (b) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and
- (c) provide for an assessment of the Price Control Deliverable specified in this condition.

3.5.3 This condition also sets out the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the net zero Re-opener term (NZ_t)

3.5.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

NZO_t means the sum of allowances in Appendix 1; and

NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What the licensee is funded to deliver

3.5.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and allowances associated with those outputs.

Part C: Net Zero Re-opener

3.5.6 This Re-opener may be used where:

- (a) a Net Zero Development has occurred or is expected to occur;
- (b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- (c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
- (d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
- (e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.

3.5.7 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.5.8 The following modifications to the licence may be made under this Re-opener:

- (a) modifications to the outputs, delivery dates and allowances in Appendix 1; and
- (b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.

3.5.9 Any modifications made under the Re-opener in this Part C will be made under section 23 of the Act.

Part D: Assessment of the Price Control Deliverable (NZRO_t)

- 3.5.10 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NZRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part E: The process for making a direction

- 3.5.11 Before making a direction under paragraph 3.6.10 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.5.12 A direction under paragraph 3.6.10 will set out
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the NZRO_t term and the Regulatory Years to which that value relates; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NZRO_t term.

Appendix 1

Net Zero Price Control Deliverable (£m)

Regulatory Year							
Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Special Condition 3.6 Digitalisation Re-opener

- 3.6.1 This Part establishes the Digitalisation Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.6.2 The licensee may apply for the Digitalisation Re-opener where the licensee incurs or expects to incur costs that exceed the Materiality Threshold as a result of a change in legislation, licences, regulatory requirements, or industry codes, where as a result there is a requirement for the licensee to provide new, or significantly altered, digital or data services, which includes:
- (a) government or the Authority implementing energy sector reforms that require new data or digital services to be delivered by the licensee;

- (b) a re-tendering of the smart metering system resulting in additional roles or responsibilities for the licensee with regards to the smart metering system; or
- (c) the licensee implementing Mature Innovation related to data and Digitalisation to fulfil obligations in the conditions of this licence.

Part B: How to make an application and modifications

- 3.6.3 The licensee may only apply to the Authority for modifications to this licence under the Digitalisation Re-opener:
- (a) Between 1 July 2028 and 31 July 2028; and
 - (b) during such other periods as the Authority may direct.
- 3.6.4 The licensee must when making an application under the Digitalisation Re-opener, send to the Authority a written application that:
- (a) gives details of how any of the conditions set out in paragraph 3.7.2 have been met;
 - (b) sets out any proposed modifications to the value of DIGI_t in Appendix 1;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.6.5 An application under this Part must:
- (a) where the circumstance in paragraph 3.7.2(i) applies, relate to changes to the roles and responsibilities of the licensee introduced on or after 11 December 2024;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
 - (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.
- 3.6.6 The following modifications to this licence may be made under the Digitalisation Re-opener:
- (a) modifications to the value of DIGI_t set out in Appendix 1;
 - (b) modifications confined to circumstances set out in paragraph 3.7.2 that are the subject of the Digitalisation Re-opener; and

Part C: Authority instigated Re-opener

- 3.6.7 The Authority may by direction make modifications to this licence under the Digitalisation Re-opener on the same basis as the licensee may apply to the Authority under Part A.

Part D: What process will the Authority follow in making a direction

- 3.6.8 The Authority may only make modifications to this licence under the Digitalisation Re-opener by direction where:
- (a) a circumstance in paragraph 3.7.2 exists;
 - (b) the requirements in paragraphs 3.7.4 and 3.7.5 have been met; and
 - (c) the modification to allowances is efficient.
- 3.6.9 Before making a modification by direction under this condition the Authority must send to the licensee and publish on the Authority's Website:
- (a) The text of the proposed modifications;
 - (b) The reasons for the proposed direction; and
 - (c) A statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.

Appendix 1

Uncertain Costs without Evaluative Price Control Deliverables allowances (£m)

	26/27	27/28	28/29	29/30	30/31	Total allowance (all years)
DIGIt	0	0	0	0	0	0

Special Condition 3.7 Coordinated adjustment mechanism Re-opener (CAM_t)

Introduction

- 3.7.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.
- 3.7.2 The effect of this condition is to establish a Re-opener, for the licensee or the Authority to trigger amendments where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.7.3 This condition also explains the process the Authority will follow when directing any changes as a result of this Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.7.4 The licensee may apply to the Authority at any time during the Price Control Period for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of

reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: How to make an application

3.7.5 An application under paragraph 3.7.4 must be made in writing to the Authority and must:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
- (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation delivers greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.7.6 An application under paragraph 3.7.4 must:

- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part C: Authority triggered Re-opener

3.7.7 The Authority will also consider directing amendments to the PCFM Variable Values of this licence and that of the Partner Licensee without an application being made under paragraph 3.7.4 where:

- (a) The NESO has identified instances where the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence; and
- (b) The Authority has reached agreement with the licensee and the Partner Licensee that the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence.

Part D: The process for making a direction

3.7.8 Before making a direction under paragraph 3.7.4 or paragraph 3.7.8 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.7.9 The direction will set out:

- (a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.8 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZP_t)

Introduction

- 3.8.1 The purpose of this condition is to establish a Re-opener triggered by the Authority where pre-construction work or other projects have been identified that will support the achievement of Net Zero Carbon Targets.
- 3.8.2 The work or projects, may be funded via the NZP_t term (the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener term) in this licence or, where appropriate, for funding via the pass-through NZPS_t term in Special Condition 6.1 of this licence. The NZP_t term contributes to the calculation of the Totex Allowance.
- 3.8.3 This condition also:
 - (a) requires the licensee to comply with funding conditions and directions to return unspent funding under Special Condition 6.1 of this licence;
 - (b) requires the licensee to comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document; and
 - (c) explains the process the Authority will follow when:
 - i. directing any changes as a result of the Re-opener; and

- ii. issuing or amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document.

Part A: The Net Zero Pre-construction Work and Small Net Zero Projects Re-opener

3.8.4 The Authority may use this Re-opener where:

- (a) there is Net Zero Pre-construction Work or Small Net Zero Projects needed that will support the achievement of Net Zero Carbon Targets;
- (b) the Net Zero Pre-construction Work or Small Net Zero Project has caused or is expected to cause the cost of Licensed Activity to increase during the Price Control Period;
- (c) the effect, or estimated effect, of the Net Zero Pre-construction Work or Small Net Zero Project on the cost of the Licensed Activity is not otherwise provided for in this licence nor under another Re-opener; and
- (d) the effect, or estimated effect, of the Net Zero Pre-construction Work or Small Net Zero Project on the cost of Licensed Activity exceeds the materiality threshold of £1m but does not exceed £100m.

3.8.5 The Authority may issue a direction setting out the following, where the conditions in paragraph 3.8.4 are satisfied:

- (a) the amount of funding for each Net Zero Pre-construction Work or Small Net Zero Project being provided under this Re-opener;
- (b) whether that funding is to be provided via the NZPt term set out in Appendix 1 of this licence condition or via the pass-through term NZPSt (Special Condition 6.1) in this licence or a combination of the two;
- (c) the Regulatory Years in which the funding is to be provided; and
- (d) any conditions that the licensee must comply with.

3.8.6 The licensee must comply with any conditions set under paragraph 3.8.5(d).

3.8.7 If the licensee does not spend funding provided under this Re-opener or does not comply with any conditions set under paragraph 3.8.5(d) the Authority may direct as appropriate:

- (a) a reduction to the NZPt term; and/or
- (b) that the licensee return, within a time period specified in the Authority's direction, funding paid to it in accordance with a direction under Part F of Special Condition 6.1 (Transportation owner pass-through items) of this licence.

3.8.8 If the licensee does not spend funding provided via the pass-through term NZPSt as set out in a direction made under paragraph 3.8.5, the Authority may direct that the licensee returns that funding.

3.8.9 The licensee must comply with a direction under paragraph 3.8.7(b) and 3.8.8 to return funding.

Part F: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document

- 3.8.10 The licensee must comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document in relation to any Net Zero Pre-construction Work and Small Net Zero Projects funded by this Re-opener.
- 3.8.11 The Authority will issue and amend the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction.
- 3.8.12 The Authority will publish the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document on the Authority's Website.
- 3.8.13 Before issuing the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;
 - (b) the date on which the Authority intends the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.
- 3.8.14 Before amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;
 - (b) the date on which the Authority intends the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect;
 - (c) the reasons for the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document; and
 - (d) a period during which representations may be made on the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.

Part A: The process for making a direction

- 3.8.15 Before making a direction under paragraphs 3.8.5, 3.8.7 or 3.8.8 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part A:

Net Zero Pre-construction Work and Small Net Zero Projects Re-opener allowances (NZP_t) by Regulatory Year

2026/27	2027/28	2028/29	2029/30	2030/31
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Special Condition 3.9 Bacton terminal site redevelopment Price Control Deliverable (BTR_t) Introduction

3.9.1 The purpose of this condition is to calculate the term BTR_t (the Bacton terminal redevelopment Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

The effect of this condition is to:

- (a) specify the Bacton terminal site redevelopment baseline allowances (Appendix 1)
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2;
- (c) provide for an assessment of the Price Control Deliverable.
- (d) specify the Redundant Assets baseline allowances (Appendix 1)
- (e) outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2;
- (f) set out the process the Authority will follow when assessing the Price Control Deliverable.

3.9.2 This is an Evaluative PCD.

3.9.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.9.6.

Part A: Formula for calculating the Bacton terminal redevelopment Price Control Deliverable term (BTR_t)

3.9.4 The value of BTR_t is derived in accordance with the following formula:

$$BTR_t = BTRA_t - BTRRA_t$$

where:

BTRA_t means the baseline allowances in Appendix 1; and

BTRRA_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What the licensee is funded to deliver

3.9.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not Used

Part D: Not Used

Part E: Assessment of Price Control Deliverable (BTRRA_t)

- 3.9.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for BTRRA_t where the licensee has not Fully Delivered an output in Appendix 1 by the delivery date specified for that output.

Part F: What process will the Authority follow in making a direction?

- 3.9.7 Before making a direction under paragraph 3.9.6 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction;
 - (c) the methodology and data that has been used to decide the delivery status and value of any proposed adjustments to the BTRRA_t term and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.9.8 A direction under paragraph 3.9.6 will set out any amendments to Appendix 1.
- 3.9.9 A direction under paragraph 3.9.6 will set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the BTRRA_t term and the Regulatory Years to which the adjustment relates; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the BTRRA_t term.

Appendix 1

Bacton terminal site redevelopment Price Control Deliverable Table

Bacton terminal site redevelopment PCD	Output	Delivery Date	2026/27	2027/28	2028/29	2029/30	2030/31
			£XX.XX	£XX.XX	£XX.XX	£XX.XX	£XX.XX

Appendix 2

Outputs, delivery dates and associated allowances for the Price Control Deliverable

Bacton Terminal PCD	Output Delivery 2026/27	2027/28	2028/29	2029/30	2030/31
	Date				
		£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm

Special Condition 3.10 Compressor emissions Price Control Deliverable (CEP_t)

Introduction

- 3.10.1 The purpose of this condition is to calculate the term CEP_t (the compressor emissions Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.10.2 The effect of this condition is to:
- (a) specify the Compressor emissions baseline allowances set out in Appendix 1;
 - (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2; and
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.10.3 This is an Evaluative PCD.
- 3.10.4 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.10.8.

Part A: Formulae for calculating the compressor emissions Price Control Deliverable term (CEP_t)

- 3.10.5 The value of CEP_t is derived in accordance with the following formula:

$$CEP_t = CEPA_t - CEPR_t$$

where:

- CEPA_t* means the sum of baseline allowances in Appendix 1; and
- CEPR_t* has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: What is the licensee funded to deliver?

- 3.10.6 The Compressor emissions PCD Table in Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not Used

Part D: Not Used

Part E: Assessment of Price Control Deliverable (CEPRAt and CEPROt)

3.10.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for CEPRAt and CEPROt where the licensee has not Fully Delivered an output in Appendix 2.

Part F: Process the Authority will follow in making a direction

3.10.8 Before making a direction under paragraph 3.10.7 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.10.9 A direction under paragraph 3.10.7 will set out any amendments to Appendix 2.

3.10.10 A direction under paragraph 3.10.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the CEPRAt and CEPROt terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the CEPRAt and CEPROt terms.

Appendix 1

Compressor emissions baseline allowances (CEPA_t) by Regulatory Year

Allowance (£m)					Total Allowance (All years)
26/27	27/28	28/29	29/30	30/31	
XX	XX	XX	XX	XX	£XX

Appendix 2

Outputs, delivery dates and associated allowances for the Price Control Deliverable

Compressor Emissions PCD	Output Delivery	2026/27	2027/28	2028/29	2029/30	2030/31
	Date					
		£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm

Special Condition 3.11 Not used

Special Condition 3.12 Funded incremental obligated capacity Re-opener and Price Control Deliverable ($FIOC_t$ and $FIOCRE_t$)

Introduction

3.12.1 The purpose of this condition is to calculate the terms $FIOC_t$ (the funded incremental obligated capacity Price Control Deliverable term) and $FIOCRE_t$ (the funded incremental obligated capacity Re-opener term). These contribute to the Totex Allowance.

3.12.2 The effect of this condition is to:

- (a) specify the FIOC baseline allowances (Appendix 1)
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable (set out in Appendix 2);
- (b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure required to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be released by Entry Capacity Substitution or Exit Capacity Substitution;
- (c) provide for Cost And Output Adjusting Events;
- (d) provide for an assessment of the Price Control Deliverable; and
- (e) establish the FIOC Guidance and Submissions Requirements Document.

3.12.3 This is re-opener and an evaluative PCD.

Part A: Formula for calculating the funded incremental obligated capacity Price Control Deliverable term ($FIOC_t$) and funded incremental obligated capacity Re-opener term ($FIOCRE_t$)

3.12.4 The value of $FIOC_t$ is derived in accordance with the following formula:

$$FIOC_t = FIOCA_t - FIOCRA_t$$

where:

$FIOCA_t$ means the baseline allowances in Appendix 1; and

$FIOCRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.12.5 The value of $FIOCRE_t$ is derived in accordance with the following formula:

$$FIOCRE_t = FIOCO_t - FIOCRO_t$$

where:

- FIOCO_t* means the sum of allowances directed by the Authority in accordance with Parts C and D; and
- FIOCRO_t* has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

- 3.12.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
- 3.12.7 The licensee must release the capacity associated with the outputs in Appendix 2 in accordance with the terms of the relevant FIOC Project Direction.

Part C: Licensee trigger of the re-opener

Release of entry and exit incremental capacity

- 3.12.8 The licensee may apply to the Authority for a FIOC Project Direction specifying an output, delivery date and associated allowances in Appendix 2 to allow the licensee to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be provided by Entry Capacity Substitution or Exit Capacity Substitution.
- 3.12.9 The licensee may only make an application under paragraph 3.12.8 once it has secured any material planning consents in relation to the proposed output, unless the Authority otherwise directs.
- 3.12.10 The licensee may only seek approval under paragraph 3.12.8 after the end of the period of twelve months beginning with the date of the provision of the relevant notice to the Authority under Part B of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution), or such other date as the Authority may direct.

C2: Cost And Output Adjusting Events

- 3.12.11 The licensee may apply to the Authority for a direction adjusting the outputs, delivery dates and associated allowances in Appendix 2 where there has been a Cost And Output Adjusting Event if:
- (a) the licensee could not have reasonably foreseen the event;
 - (b) the licensee could not have economically and efficiently planned a contingency for the event;
 - (c) the event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance in Appendix 2 or such other percentage as the Authority may direct (calculated before the application of the Totex Incentive Strength); and
 - (d) the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.12.12 The licensee must make the application:

- (a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
 - (b) in any event, within the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred but the Authority may by direction permit a later application.
- 3.12.13 An application under paragraph 3.12.11 must be made in writing and must include:
- (a) detailed supporting evidence that a Cost And Output Adjusting Event which meets the requirements set out in paragraph 3.12.11 has occurred;
 - (b) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2;
 - (c) the basis of the calculation for any amendments requested to allowances, which must be designed, so far as is reasonably practicable, to keep the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
 - (d) unless the Authority directs otherwise, a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the output, the proposed adjustments to the output, delivery dates or allowances fairly reflect the effects of the Cost And Output Adjusting Event.
- 3.12.14 The Authority will also consider directing amendments to the outputs, delivery dates and allowances in Appendix 2, without an application being made under paragraph 3.12.11, where it considers there has been a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.12.11(a) to (c).

Part D: Not used

Part E: Assessment of Price Control Deliverable (FIOCRA_t and FIOCRO_t)

- 3.12.15 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for FIOCRA_t and FIOCRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: Process for making a direction

- 3.12.16 Before making a direction under paragraphs 3.12.8, 3.12.11, 3.12.14 or 3.12.15, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.12.17 A FIOC Project Direction under paragraph 3.12.8 will set out:

- (a) the amendments to Appendix 2; and
- (b) any project-specific Cost And Output Adjusting Events.

3.12.18 A direction under paragraph 3.12.11 or 3.12.14 will set out any amendments to Appendix 2.

3.12.19 A direction under paragraph 3.12.15 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the FIOCRA_t and FIOCRO_t terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the FIOCRA_t and FIOCRO_t terms.

Part G: FIOC Guidance and Submissions Requirements Document

3.12.20 The licensee must comply with the FIOC Guidance and Submissions Requirements Document when making an application under paragraph 3.12.8 or seeking approval under paragraph 3.12.9(a).

3.12.21 The Authority will issue and amend the FIOC Guidance and Submissions Requirements Document by direction.

3.12.22 The Authority will publish the FIOC Guidance and Submissions Requirements Document on the Authority's Website.

3.12.23 The FIOC Guidance and Submissions Requirements Document will make provision about the detailed requirements for making applications and seeking approvals under Part C, including timings and documentary requirements.

3.12.24 Before directing that the FIOC Guidance and Submissions Requirements Document comes into effect the Authority will publish on the Authority's Website:

- (a) the text of the proposed FIOC Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the FIOC Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.12.25 Before directing an amendment to the FIOC Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended FIOC Guidance and Submissions Requirements Document;
- (b) the date the Authority intends the amended FIOC Guidance and Submissions Requirements Document to come into effect;

- (c) the reasons for the amendments to the FIOC Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Appendix 1

Funded incremental obligated capacity baseline allowances (FIOCA_t) by Regulatory Year

Allowance (£m)					Total Allowance (All years)
26/27	27/28	28/29	29/30	30/31	
0.00	0.00	0.00	0.00	0.00	0.00

Appendix 2

Funded incremental obligated capacity Price Control Deliverable

Project	Output	Delivery Date	Total Allowance (all years) (£m)
N/A	N/A	N/A	0.00

Special Condition 3.13 Asset health Re-opener (AH_t)

Introduction

- 3.13.1 The purpose of this condition is to calculate the term AH_t (the asset health term). This contributes to the calculation of the Totex Allowance.
- 3.13.2 The effect of this condition is to:
- (a) establish a Re-opener triggered by either the licensee or the Authority to adjust allowances for works not covered by NARM which were previously covered by this re-opener, including above ground Plant & Equipment and CAB Infrastructure assets, Saint Fergus Plant 2 Aftercooler replacement, Welded/Buried NRV overhauls, Cyber Control System Roll-over, Cyber Station and Cyber Unit Control System replacement, tree and scrub clearance to maintain access to buried pipelines and gas monitoring and control equipment; and
 - (b) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2027, 1 April 2028, 1 April 2029 and 1 April 2030.
- 3.13.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Part A: What is the scope of this Re-opener?

3.13.4 The licensee may apply to the Authority for a direction:

- (a) adjusting the value of the AH_t term;
- (b) adjusting the value of the $NARMAHO_t$ term; or
- (c) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

where it is seeking allowances for work relating to works not covered by NARM which were previously covered by this re-opener, including above ground Plant & Equipment and CAB Infrastructure assets, Saint Fergus Plant 2 Aftercooler replacement, Welded/Buried NRV overhauls, Cyber Control System Roll-over, Cyber Station and Cyber Unit Control System replacement, tree and scrub clearance to maintain access to buried pipelines and gas monitoring and control equipment.

Part B: Part B: When to make an application

3.13.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.13.4 between 25 January 2027 and 31 January 2027, and 25 January 2029 and 31 January 2029, or during such later periods as the Authority may direct.

Part C: Part C: How to make an application

3.13.6 An application under paragraph 3.13.4 must be made in writing to the Authority and include:

- (a) the changes the licensee is requesting to:
 - i. the value of the AH_t term and the Regulatory Years to which that adjustment relates;
 - ii. the value of the $NARMAHO_t$ term and the Regulatory Years to which that adjustment relates; and
 - iii. the Asset Health Non-Lead Assets PCD Tables;
- (b) the basis of the calculation for the proposed adjustments to any allowances; and
- (c) such detailed supporting evidence, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.

3.13.7 An application under paragraph 3.13.4 must:

- (a) relate to changes to the licensee's investment plan that have developed since the licensee submitted its GT Asset Health Plan to the Authority in December 2024;
- (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold; and

- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Part D: Authority triggered Re-opener

3.13.8 The Authority will also consider directing:

- (a) an adjustment to the value of the AH_t term;
- (b) an adjustment to the value of the $NARMAHO_t$ term; and
- (c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

without an application being made under paragraph 3.13.4, in relation to costs incurred or expected to be incurred relating to the scope of this re-opener Between 1 April 2027 and 31 March 2031 that exceed the Materiality Threshold.

Part E: Part E: Assessment of Years 2, 3, 4 and 5

3.13.9 After the Regulatory Year starting on 1 April 2028, the Authority will assess costs relating to asset health investment that is in scope of this re-opener for Regulatory Years commencing on 1 April 2027, 1 April 2028, 1 April 2029 and 1 April 2030 and direct:

- (a) an adjustment to the value of the AH_t term;
- (b) an adjustment to the value of the $NARMAHO_t$ term; and
- (c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

to reflect actual efficient costs and work volumes.

Part F: Part F: What process will the Authority follow in making a direction?

3.13.10 Before making a direction under paragraph 3.13.4, 3.13.8 or 3.13.9 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.13.11 A direction under paragraph 3.13.4, 3.13.8 and 3.13.9:

- (a) will set out any adjustments to the value of the AH_t term and the Regulatory Years to which that adjustment relates;
- (b) will set out any adjustments to the value of the $NARMAHO_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the

text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable).

Special Condition 3.14 Asset health – non-lead assets Price Control Deliverable (NLA_t and NLAAH_t)

Introduction

- 3.14.1 The purpose of this condition is to calculate the terms NLA_t (the asset health – non-lead assets Price Control Deliverable term) and NLAAH_t (the asset health – non-lead assets Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.14.2 The effect of this condition is to:
- (a) specify the asset health – non-lead assets baseline allowances (Appendix 1)
 - (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2; and
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.14.3 This is an Evaluative Price Control Deliverable and a re-opener.

Part A: Formulae for calculating the asset health – non-lead assets Price Control Deliverable term (NLA_t) and the asset health – non-lead assets Re-opener term (NLAAH_t)

- 3.14.4 The value of NLA_t is derived in accordance with the following formula:

$$NLA_t = NLAA_t - NLAR_t$$

where:

NLAA_t means the sum of allowances in the Asset Health Non-Lead Assets Baseline Allowances Table; and

NLAR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

- 3.14.5 The value of NLAAH_t is derived in accordance with the following formula:

$$NLAAH_t = NLAHO_t - NLAHR_t$$

where:

NLAHO_t means the sum of allowances directed by the Authority in Special Condition 3.14 (Asset health Re-opener); the sum of allowances directed by the Authority in Special Condition 3.22 (Gas Strategic Planning); the sum of allowances directed by the Authority in Special Condition 3.24 (Network Capability Re-opener); the sum of allowances directed by the Authority in Special Condition 3.25 (Bacton Enhanced Filtration)

$NLAHR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.14.6 The Asset Health Non-Lead Assets PCD Tables specify the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of Price Control Deliverable ($NLAR_t$)

3.14.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $NLAR_t$ where the licensee has not Fully Delivered an output in the Asset Health Non-Lead Assets PCD Tables.

Part D: What process the Authority will follow in making a direction

3.14.8 Before making a direction under paragraph 3.14.7 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.9 A direction under paragraph 3.14.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $NLAR_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $NLAR_t$ term.

Appendix 1

Title and publication date of document containing the Asset Health – Non-Lead Assets Baseline Allowances Table

Title	Publication Date
Non-lead assets PCD Annex	[TBC]

Appendix 2

Title and publication date of document containing the Asset Health – Non-Lead Assets PCD Tables

Title	Publication Date
XX	[TBC]

Special Condition 3.15 Redundant Assets Price Control Deliverable (RA_t)

Introduction

- 3.15.1 The purpose of this condition is to calculate the term RA_t (the Redundant Asset Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.15.2 The effect of this condition is to:
- (a) specify the Redundant Assets baseline allowances (Appendix 1)
 - (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2;
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.15.3 This is an Evaluative Price Control Deliverable.
- 3.15.4 This condition also sets out the process the Authority will follow when directing the changes to the Price Control Deliverable.

Part A: Formula for calculating the Redundant Asset Price Control Deliverable term (RA_t)

- 3.15.5 The value of RA_t is derived in accordance with the following formula:

$$RA_t = RAA_t - RAR_t$$

where:

RAA_t means the sum of allowances in Appendix 1; and

RAR_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

- 3.15.6 The Redundant Assets PCD Table in Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: not used

Part D: not used

Part E: Assessment of Price Control Deliverable (RAR_t)

- 3.15.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for RAR_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction?

3.15.8 Before making a direction under paragraph 3.15.7 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.15.9 A direction under paragraph 3.15.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the RAR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the RAR_t term.

Appendix 1

Redundant Assets PCD Baseline Allowances

	Baseline	Delivery 2026/27	2027/28	2028/29	2029/30	2030/31
Redundant Asset PCD	allowances Date					
		£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm

Appendix 2

Outputs, delivery dates and associated allowances for the Price Control Deliverable

	Output Delivery 2026/27	2027/28	2028/29	2029/30	2030/31
Redundant Asset PCD	Date				
		£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm

Special Condition 3.16 Pipeline Diversions Re-opener (QL_t and PD_t)

Introduction

- 3.16.1 The purpose of this condition is to calculate the terms QL_t (Quarry and Loss Development Claim Costs) and the PD_t (Pipeline Diversion Costs). These form Uncertain Costs and contribute to the calculation of the Totex Allowance.
- 3.16.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority where Uncertain Costs have resulted in material changes to Quarry and Loss Development Claim Costs and Pipeline Diversion Costs.

3.16.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Part A: What is the scope of the Re-opener?

3.16.4 The licensee may apply to the Authority for a direction adjusting:

- (a) the value of the QL_t terms in relation to Quarry and Loss Development Claim Costs; or
- (b) the value of the PD_t term in relation to Pipeline Diversion Costs.

Part B: Part B: When to make an application

3.16.5 The licensee may only make an application under paragraph 3.16.4 between 25 January and 31 January in any Regulatory Year during the Price Control Period.

Part C: Part C: How to make an application

3.16.6 An application under paragraph 3.16.4 must be made in writing to the Authority and include:

- (a) a statement of the Uncertain Costs to which the application relates;
- (b) the adjustments to either the QL_t or PD_t terms that the licensee is requesting and the Regulatory Years to which those adjustments relate;
- (c) the basis of the calculation for the proposed adjustments to the value of the QL_t or PD_t term; and
- (d) such detailed supporting evidence, including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments and engineering justification papers, as is reasonable in the circumstances and relevant to the Uncertain Costs in question.

3.16.7 An application under paragraph 3.16.4 must:

- (a) take account of any allowed expenditure that relates to the Uncertain Costs;
- (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold for each of the Uncertain Costs applied; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026

Part D: Part D: Authority triggered Re-opener

3.16.8 The Authority will consider directing an adjustment to the QL_t and PD_t terms without an application being made under paragraph 3.16.4, where it considers that the licensee has incurred or is likely to incur Uncertain Costs that:

- (a) for each of the Uncertain Costs in question exceed the Materiality Threshold; and
- (b) were incurred or are expected to be incurred on or after 1 April 2026.

Part E: Part E: True up of actual costs.

3.16.9 After the Price Control Period, the Authority will direct an adjustment to the QL_t and PD_t term to reflect actual efficient costs.

Part F: Part F: What process will the Authority follow in making a direction?

3.16.10 Before making a direction under paragraph 3.16.4, 3.16.8 or 3.16.9 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.16.11 The direction will set out any adjustments to the value of the QL_t and PD_t terms and the Regulatory Years to which those adjustments relate.

Special Condition 3.17 Not Used

Special Condition 3.18 Biomethane Connections ($BIOC_t$) use it or lose it allowance (GTO)

Introduction

3.18.1 The purpose of this condition is to calculate the term $BIOC_t$ (the Biomethane Connections use it or lose it allowance). This contributes to the calculation of the Totex Allowance.

3.18.2 The effect of this condition is to:

- (a) specify the allowance for Biomethane Connections use it or lose it allowance;
- (b) provide for a Use It Or Lose It Adjustment .

Part A: Formula for calculating the Biomethane Connections UIOLI term ($BIOC_t$)

3.18.3 The value of $BIOC_t$ is derived in accordance with the following formula:

$$BIOC_t = BIOCA_t - BIOCR_t$$

where:

$BIOCA_t$ means the allowances in Appendix 1 that relate to the licensee; and

$BIOCR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: Use It Or Lose It Adjustment

3.18.4 The Authority will direct an amendment to the value of $BIOC_t$ where it considers that a use it or lose it adjustment is appropriate.

Part C: Cap of the Use it or lose it allowance per biomethane connection

- 3.18.5 The UIOLI allowance to fund capex-related connection costs should not exceed [£1.2m] per biomethane connection onto the NTS.

Part D: The process the Authority will follow in making a direction

- 3.18.6 Before making a direction under paragraph 3.18.4, the Authority will publish on the Authority's website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.18.7 The direction will set out the value of the BIOCR_t term and the Regulatory Years to which that adjustment relates.

Biomethane UIOLI Guidance

- 3.18.8 This UIOLI is to fund capex related expenditure by the licensee to facilitate Biomethane Connections onto the NTS.
- 3.18.9 The licensee must comply with the Biomethane UIOLI Guidance Document when incurring expenditure in relation to the allowance provided by this licence condition.
- 3.18.10 The Authority will issue and amend the Biomethane UIOLI Guidance Document by direction.
- 3.18.11 The Authority will publish the Biomethane UIOLI Guidance Document on the Authority's Website.
- 3.18.12 The Biomethane UIOLI Guidance Document will make provision about the governance and administration of the Biomethane UIOLI connections allowance, including:
- (a) the definition of "allowable Biomethane UIOLI connections expenditure" and "unrecoverable Biomethane UIOLI connections expenditure";
 - (b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
 - (c) the reporting obligations in respect of which expenditure incurred in relation to Biomethane UIOLI must meet.
- 3.18.13 Before directing that the Biomethane UIOLI Guidance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Biomethane UIOLI Guidance Document;
 - (b) the date on which the Authority intends the Biomethane UIOLI Guidance Document to come into effect; and

- (c) a period during which representations may be made on the content of the Biomethane UIOLI Guidance Document, which will not be less than 28 days.

3.18.14 Before directing an amendment to the Biomethane UIOLI Guidance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Biomethane UIOLI Guidance Document;
- (b) the date on which the Authority intends the amended Biomethane UIOLI Guidance Document to come into effect;
- (c) the reasons for the amendments to the Biomethane UIOLI Guidance Document; and
- (d) a period during which representations may be made on the amendments to the Biomethane UIOLI Guidance Document, which will not be less than 28 days.

Appendix 1

Biomethane Connections allowance (£m)

2026/27	2027/28	2028/29	2029/30	2030/31	Total
XX	XX	XX	XX	XX	XX

Special Condition 3.19 Compressor Breakdown (CBD_t) use it or lose it allowance (GTO)

Introduction

- 3.19.1 The purpose of this condition is to calculate the term CBD_t (the Compressor Breakdown Use it or lose it allowance). This contributes to the calculation of the Totex Allowance.
- 3.19.2 The effect of this condition is to:
- (a) specify the allowance for the Compressor Breakdown use it or lose it allowance;
 - (b) provide for a Use It Or Lose It Adjustment.

Part A: Formula for calculating the Compressor Breakdown UIOLI term (CBD_t)

- 3.19.3 The value of CBD_t is derived in accordance with the following formula:

$$CBD_t = CBDA_t - CBDR_t$$

where:

- CBDA_t means the allowances in Appendix 1 that relate to the licensee; and
- CBDR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part A: Use It Or Lose It Adjustment

3.19.4 The Authority will direct an amendment to the value of CBD_t where it considers that a Use It Or Lose It Adjustment is appropriate.

Part B: Authority's direction process

3.19.5 Before making a direction under paragraph 3.19.4, the Authority will publish on the Authority's website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representatives may be made on the proposed direction, which will not be less than 28 days.

3.19.6 The direction will set out the value of the $CBDR_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 1

Compressor Breakdown allowance (£m)

2026/27	2027/28	2028/29	2029/30	2030/31	Total
X.XX	X.XX	X.XX	X.XX	X.XX	X.XX

Special Condition 3.20 Nitrogen Sleeves PCD (GTO)

Introduction

3.20.1 The purpose of this condition is to calculate the term NS_t (the Nitrogen Sleeves Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.20.2 The effect of this condition is to:

- (a) Specify the baseline allowances for the Price Control Deliverable in Appendix 1;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2;
- (c) provide for an assessment of the Price Control Deliverable.

3.20.3 This is a mechanistic PCD.

3.20.4 This condition also sets out the process the Authority will follow when assessing the PCD.

Part A: Formulae for calculating the Nitrogen Sleeves Price Control Deliverable term (NS_t)

3.20.5 The value of NS_t is derived in accordance with the following formula:

$$NS_t = NSA_t - NSRA_t$$

where:

NSA_t means the sum of baseline allowances in Appendix 1; and

$NSRA_t$ has the value determined in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.20.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not Used

Part D: Not Used

Part E: Assessment of Price Control Deliverable ($NSRA_t$)

3.20.7 The value of $NSRA_t$ is derived in accordance with the following formula:

$$NSRA_t = (NSV_t - NSDV_t) \times NSUC_t$$

where:

NSV_t Means the specified volume of nitrogen sleeves refurbishments and groutings as for the Price Control Deliverable set out in Nitrogen Sleeves PCD Table in Appendix 2.

$NSDV_t$ means the volume of nitrogen sleeves refurbishments and groutings delivered in Regulatory Year t.

$NSUC_t$ means Nitrogen Sleeves table in the RRP's setting out unit cost per volume per year.

Appendix 1

Nitrogen Sleeves baseline allowances (NSA_t) by Regulatory Year

	Allowance (£m)					Total Allowance (All years)
	26/27	27/28	28/29	29/30	30/20	
Refurbishment and grouting of Nitrogen Sleeves	£XX.XX	£XX.XX	£XX.XX	£XX.XX	£XX.XX	£XX.XX
	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	£XX.XX

Appendix 2

Nitrogen Sleeves Price Control Deliverable

Output	Delivery date	Delivery date	Delivery date	Delivery date	Delivery date	Total allowance (all years) (£m)
Refurbishment of XX and grouting of XX Nitrogen Sleeves	XX/20XX	XX/20XX	XX/20XX	XX/20XX	XX/20XX	XX.XX

Special Condition 3.21 West Import Resilience Project (WIRP) PCD

Introduction

- 3.21.1 The purpose of this condition is to calculate the term $WIRP_t$ (the West Import Resilience Project Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.21.2 The effect of this condition is to:
- (a) specify the WIRP baseline allowances (Appendix 1)
 - (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2;
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.21.3 This is an Evaluative Price Control Deliverable.
- 3.21.4 This condition also sets out the process the Authority will follow when directing the changes to the Price Control Deliverable.

Part A: Formula for calculating the WIRP Price Control Deliverable term (RA_t)

- 3.21.5 The value of $WIRP_t$ is derived in accordance with the following formula:

$$WIRP_t = WIRPA_t - WIRPR_t$$

where:

$WIRPA_t$ means the sum of allowances in Appendix 1 and the sum of allowances directed by the Authority in Special Conditions 3.22 or 3.24 (Gas Strategic Planning Re-opener or Network Capability Re-opener); and

$WIRPR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: What is the licensee funded to deliver?

3.21.6 The WIRP PCD Table in Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: not used

Part D: not used

Part E: Assessment of Price Control Deliverable (WIRPR_t)

3.21.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for WIRPR_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction?

3.21.8 Before making a direction under paragraph 3.21.7 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.21.9 A direction under paragraph 3.21.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the WIRPR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the RAR_t term.

Appendix 1

WIRP PCD Baseline Allowances

Baseline allowances	Delivery Date	2026/27	2027/28	2028/29	2029/30	2030/31
WIRP PCD		£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm

Appendix 2

Outputs, delivery dates and associated allowances for the Price Control Deliverable

WIRP PCD	Output Delivery 2026/27 Date	2027/28	2028/29	2029/30	2030/31
Constructing 9km of 900mm pipeline (75 Barg) between Wormington and Honeybourne Multijunctions	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm
Constructing 2km of 900mm pipeline (70 Barg) between Churchover Compressor Tee and Multijunction	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm
Creating a store of spares for the electric powered Wormington Compressor Station	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm
	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm	£XX.XXm

Special Condition 3.22 Gas Strategic Planning Re-opener (GSPR_t)

Introduction

- 3.22.1 The purpose of this condition is to calculate the term GSPR_t (the gas strategic planning term). This contributes to the calculation of the Totex Allowance.
- 3.22.2 The effect of this condition is to:
- (a) establish a Re-opener triggered by the Authority to adjust allowances for investment in infrastructure due to alignment with wider energy plans for Regulatory Years commencing on 1 April 2027 to 1 April 2030; and
 - (b) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2027, 1 April 2028, 1 April 2029 and 1 April 2030.
- 3.22.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.22.4 This Re-opener may be used where:

- (a) a Gas Strategic Planning need has been identified by the ISOP and/or His Majesty's Government or is expected to occur;
- (b) an investment need to mitigate the risks from Single Points of Failure on the NTS has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- (c) the effect of the Gas Strategic Planning on the cost of Licensed Activity is not otherwise provided for in this licence;
- (d) the effect of the Gas Strategic Planning need has not already been assessed under another Re-opener; and
- (e) the effect, or estimated effect, of Gas Strategic Planning on the cost of Licensed Activity exceeds the Materiality Threshold.

3.22.5 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.22.6 The following modifications to the licence may be made under this Re-opener:

- (a) adjusting the value of the $GSPR_t$ term;
- (b) adjusting the value of the AH_t term;
- (c) adjusting the value of the $NARMAHO_t$ term; or
- (d) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

3.22.7 Any modifications made under this Re-opener will be made under section 23 of the Act.

Part B: Assessment of Years 2, 3, 4 and 5

3.22.8 After the Regulatory Year starting on 1 April 2027, the Authority will assess costs relating to the terms in 3.23.6 for Regulatory Years commencing on 1 April 2027, 1 April 2028, 1 April 2029 and 1 April 2030 and direct:

- (a) an adjustment to the value of the $GSPR_t$ term;
- (b) an adjustment to the value of the AH_t term;
- (c) an adjustment to the value of the $NARMAHO_t$ term; and
- (d) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables
- (e) to reflect actual efficient costs and work volumes.

Part C: What process will the Authority follow in making a direction?

3.22.9 Before making a direction under paragraph 3.22.8 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and

- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.22.10 A direction under paragraph 3.22.8:

- (a) will set out any adjustments to the value of the $GSPR_t$ term and the Regulatory Years to which that adjustment relates
- (b) will set out any adjustments to the value of the AH_t term and the Regulatory Years to which that adjustment relates;
- (b) will set out any adjustments to the value of the $NARMAHO_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable).

Special Condition 3.23 Office and Gas National Control Centre Relocation Re-opener ($GNCCRE_t$)

Introduction

- 3.23.1 The purpose of this condition is to calculate the term $GNCCRE_t$ (the Office and Gas National Control Centre Relocation Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.23.2 The effect of this condition is to:
 - (a) establish a Re-opener triggered by the licensee to adjust baseline allowances [for Office and Gas National Control Centre]; and
 - (b) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2027, 1 April 2028, 1 April 2029 and 1 April 2030.
- 3.23.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Part A: What is the scope of this Re-opener?

- 3.23.4 The licensee may apply to the Authority for a direction:
 - (a) adjusting the value of the $GNCCRE_t$ term;
 - (b) adjusting the value of other baseline allowances
 - (c) where it is seeking allowances for work relating to the move of its offices and Gas National Control Centre in Regulatory Years commencing on 1 April 2027 to 1 April 2030.

Part B: Part B: When to make an application

- 3.23.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.23.4 Between 25 August 2026 and 31 August 2026.

Part C: Part C: How to make an application

- 3.23.6 An application under paragraph 3.23.5 must be made in writing to the Authority and include:
- (a) the changes the licensee is requesting to the value of the GNCCRE_t term and the Regulatory Years to which that adjustment relates;
 - (b) the basis of the calculation for the proposed adjustments to any allowances; and
 - (c) such detailed supporting evidence, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.
- 3.23.7 An application under paragraph 3.23.5 must:
- (a) relate to changes to the licensee's investment plan that have developed since the licensee submitted its Business Plan to the Authority in December 2024;
 - (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Part D: Assessment of Years 2, 3, 4 and 5

- 3.23.8 After the Regulatory Year starting on 1 April 2027, the Authority will assess costs relating to property move for Regulatory Years commencing on 1 April 2027, 1 April 2028, 1 April 2029 and 1 April 2030 and may direct:
- (a) an adjustment to the value of the GNCCRE_t term;
 - (b) an adjustment to the baseline allowances as required to reflect actual efficient costs and work volumes.

Part E: Part F: What process will the Authority follow in making a direction?

- 3.23.9 Before making a direction under paragraph 3.23.8 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.23.10 A direction under paragraph 3.23.8:
- (a) will set out any adjustments to the value of the GNCCRE_t term and the Regulatory Years to which that adjustment relates; and
 - (b) will set out any adjustments to other relevant baseline allowances and the Regulatory Years to which that adjustment relates.

Special Condition 3.24 Network Capability Re-Opener (NC_t)

Introduction

- 3.24.1 The purpose of this condition is to calculate the term NC_t (the network capability term). This contributes to the calculation of the Totex Allowance.
- 3.24.2 The effect of this condition is to:
- (a) establish a Re-opener triggered by the licensee to adjust allowances for network capability related investment; and
 - (b) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2028, 1 April 2029 and 1 April 2030.
- 3.24.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Part A: What is the scope of this Re-opener?

- 3.24.4 The licensee may apply to the Authority for a direction:
- (a) adjusting the value of the NC_t term;
 - (b) adjusting the value of AH_t term;
 - (c) adjusting the value of the $NARMAHO_t$ term;
 - (d) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables; or
 - (e) amending the outputs, delivery dates and allowances in the WIRP PCD Tables.

where it is seeking allowances for work relating to site reconfigurations, installation of low NOx burner retrofits, re-wheeling, decommissioning of redundant compressor units, uprating of Feeder 28 for WIRP and other network-capability related investment in Regulatory Years commencing on 1 April 2028 to 1 April 2030.

Part B: Part B: When to make an application

- 3.24.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.25.4 Between 25 January 2027 and 31 January 2027.

Part C: Part C: How to make an application

- 3.24.6 An application under paragraph 3.24.4 must be made in writing to the Authority and include:
- (a) the changes the licensee is requesting to:
 - i. The value of the NC_t term and the Regulatory Years to which that adjustment relates;
 - ii. the value of the AH_t term and the Regulatory Years to which that adjustment relates;

- iii. the value of the $NARMAHO_t$ term and the Regulatory Years to which that adjustment relates;
 - iv. the Asset Health Non-Lead Assets PCD Tables; and
 - v. the WIRP PCD Tables.
 - (b) the basis of the calculation for the proposed adjustments to any allowances; and
 - (c) such detailed supporting evidence, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.
- 3.24.7 An application under paragraph 3.24.4 must:
- (a) relate to changes to the licensee's investment plan that have developed since the licensee submitted its Business Plan to the Authority in December 2024;
 - (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Part D: Assessment of Years 3, 4 and 5

- 3.24.8 After the Regulatory Year starting on 1 April 2028, the Authority will assess costs relating to this re-opener for Regulatory Years commencing on 1 April 2028, 1 April 2029, and 1 April 2030 and may direct:
- (a) an adjustment to the value of the NC_t term;
 - (b) an adjustment to the value of the AH_t term;
 - (c) an adjustment to the value of the $NARMAHO_t$ term;
 - (d) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables; and
 - (e) the WIRP PCD Tables.
- to reflect actual efficient costs and work volumes.

Part E: Part F: What process will the Authority follow in making a direction?

- 3.24.9 Before making a direction under paragraph 3.25.4 or 3.25.8 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.24.10 A direction under paragraph 3.25.4 and 3.14.8:

- (a) will set out any adjustments to the value of the NC_t term and the Regulatory Years to which that adjustment relates;
- (b) will set out any adjustments to the value of the AH_t term and the Regulatory Years to which that adjustment relates;
- (c) will set out any adjustments to the value of the $NARMAHO_t$ term and the Regulatory Years to which that adjustment relates;
- (d) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable); and
- (e) where any amendments are being made to the outputs, delivery dates or allowances in the WIRP PCD Tables, will replace the text in Appendix 2 to Special Condition 3.21 (WIRP Price Control Deliverable).

Special Condition 3.25 Bacton Enhanced Filtration Re-opener (BEF_t)

Introduction

- 3.25.1 The purpose of this condition is to calculate the term BEF_t (the Bacton Enhanced Filtration term). This contributes to the calculation of the Totex Allowance.
- 3.25.2 The effect of this condition is to establish a Re-opener triggered by the Authority to adjust allowances related to filtration equipment at Bacton terminal.
- 3.25.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Part A: What is the scope of this Re-opener?

- 3.25.4 This Re-opener may be used where a need has been identified to invest in filtration equipment at Bacton terminal.
- 3.25.5 The Authority may make modifications under this Re-opener at any time during the Price Control Period.
- 3.25.6 The following modifications to the licence may be made under this Re-opener:
 - (a) adjusting the value of the BEF_t term;
 - (b) adjusting the value of the AH_t term; or
 - (c) adjusting the value of the $NARMAHO_t$ term; or
 - (d) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

3.25.7 Any modifications made under this Re-opener will be made under section 23 of the Act.

Part B: Part B: Assessment of relevant Regulatory Years

3.25.8 After the Regulatory Year starting on 1 April following the submission of the re-opener, the Authority will assess costs relating to this re-opener for the relevant Regulatory Years and direct:

- (a) an adjustment to the value of the BEF_t term;
 - (b) an adjustment to the value of the AH_t term;
 - (b) an adjustment to the value of the $NARMAHO_t$ term; and
 - (c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables
- to reflect actual efficient costs and work volumes.

Part C: Process for making a direction?

3.25.9 Before making a direction under paragraph 3.25.8 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.25.10 A direction under paragraph 3.25.8:

- (a) will set out any adjustments to the value of the BEF_t term and the Regulatory Years to which that adjustment relates
- (b) will set out any adjustments to the value of the AH_t term and the Regulatory Years to which that adjustment relates;
- (b) will set out any adjustments to the value of the $NARMAHO_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable).

Special Condition 3.26 Network Decarbonisation and Emissions Compliance Re-opener & PCD (NDC_t and $NDCRE_t$)

Introduction

3.26.1 The purpose of this condition is to calculate the terms NDC_t (the network decarbonisation and emissions compliance Price Control Deliverable term) and $NDCRE_t$ (the network decarbonisation and emissions compliance Re-opener term). These contribute to the calculation of the Totex Allowance.

3.26.2 The effect of this condition is to:

- (a) specify the baseline allowances for the Price Control Deliverable in Appendix 1;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 2;
- (c) establish a Re-opener for the licensee and the authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
- (d) provide for an assessment of the Price Control Deliverable.

3.26.3 This is an evaluative PCD and a re-opener.

Part A: Formulae for calculating the network decarbonisation and emissions compliance Price Control Deliverable term (NDC_t) and the network decarbonisation and emissions compliance Re-opener term ($NDCRE_t$)

3.26.4 The value of NDC_t is derived in accordance with the following formula:

$$NDC_t = NDPA_t - NDPRA_t$$

where:

$NDPA_t$ means the sum of baseline allowances in Appendix 1; and

$NDPRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.26.5 The value of $NDCRE_t$ is derived in accordance with the following formula:

$$NDCRE_t = NDPO_t - NDPRO_t$$

where:

$NDPO_t$ means the allowances directed by the Authority as a result of the Re-opener established by Parts C and/or D; and

$NDPRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.26.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Licensee trigger of the re-opener

Part C1: Final Option Selection Report

3.26.7 Where specified in Appendix 2, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.26.8 The Final Option Selection Report must:

- (a) be submitted in writing;
- (b) be submitted by the delivery date specified in Appendix 2, or such other date directed by the Authority;
- (c) include a proposed Final Preferred Option; and
- (d) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.26.9 The Authority will:

- (a) approve the proposed Final Preferred Option;
- (b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
- (c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
- (d) reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

3.26.10 Before reaching a decision under paragraph 3.26.9, the Authority will publish on the Authority's Website:

- (a) its proposed decision;
- (b) the reasons for its proposed decision; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part C2: Trigger for a re-opener

3.26.11 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 in the application windows specified in Appendix 2 or during such other periods as the Authority directs.

3.26.12 An application under paragraph 3.26.11 must be made in writing to the Authority and include:

- (a) the actual costs incurred to date;
- (b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;
- (c) the reasons for any amendments requested to Appendix 2;
- (d) the basis of the costs and calculations for any amendments requested to allowances in Appendix 2; and
- (e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.26.13 An application under paragraph 3.26.11 must also include:

- (a) details of any fully tendered costs for the approved Final Preferred Option;
- (b) a Front End Engineering Design for the approved Final Preferred Option; and
- (c) a full breakdown of development and equipment costs incurred to date for the project.

3.26.14 An application under paragraph 3.26.11 must:

- (a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
- (b) relate to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Authority trigger of the Re-opener

3.26.15 The Authority will also consider directing an amendment to the outputs, delivery dates or allowances in Appendices 1 and 2, without an application being made under paragraph 3.26.11, where it considers works within scope but that exceed the Materiality Threshold to be required between 1 April 2027 and 31 March 2031.

Part E: Assessment of Price Control Deliverable (NDPRA_t and NDPRO_t)

3.26.16 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NDPRA_t and NDPRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: Process the Authority will follow in making a direction

3.26.17 Before making a direction under paragraph 3.26.11, 3.26.15 or 3.26.15 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.26.18 A direction under paragraph 3.26.15 will set out any amendments to Appendix 2.

3.26.19 A direction under paragraph 3.26.15 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the NDPRA_t and NDPRO_t terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the NDPRA_t and NDPRO_t terms.

Part G: Guidance

- 3.26.20 This mechanism has a broad scope encompassing works related to the decarbonisation of any asset on the NTS as well as works aimed at complying with emissions legislation.
- 3.26.21 Some examples of works which may be funded through this mechanism are as follows:
- (a) The installation of emissions reducing technologies such as zero loss seals and recompression rigs;
 - (b) the construction and installation of VSDs;
 - (c) the purchase and use of flaring equipment;
 - (d) any works aimed at complying with emissions legislation such as the Medium Combustion Plant Directive (MCPD);
 - (e) the upgrading of site lighting to low carbon alternatives;
 - (f) the purchasing and installation of hydrogen ready equipment such as hydrogen ready gas meters.

Appendix 1

Network decarbonisation and emissions compliance baseline allowances (NEPA_t) by Regulatory Year

Allowance (£m)					Total Allowance (All years)
26/27	27/28	28/29	29/30	30/31	
XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	£XX.XX

Appendix 2

Network decarbonisation and emissions compliance Price Control Deliverable

Site	Output	Delivery date	Re-opener application window	Total allowance (all years) (£m)
XXXX	XXXX	XX/20XX	25-31 January 2028	XX.XX
XXXX	XXXX	XX/20XX	XX/20XX	XX.XX

Chapter 4: Output delivery incentives

Special Condition 4.1 Total output delivery incentive performance (ODI_t)

Introduction

- 4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 4.1.2 The effect is to produce a total of individual ODI terms.

Part C: Formula for calculating total output delivery incentive performance

- 4.1.3 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = CSI_t$$

where:

CSI_t is derived in accordance with Special Condition 4.2.

Special Condition 4.2 Customer Satisfaction Survey output delivery incentive (CSI_t)

Introduction

- 4.2.1 The purpose of this condition is to provide for the calculation of the term CSI_t (the customer satisfaction output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 4.2.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the customer satisfaction survey output delivery incentive in the Relevant Elements as defined in Part F.

Part A: Formula for calculating the customer satisfaction incentive (CSI_t)

- 4.2.3 The value of CSI_t is derived in accordance with the following formula:

$$CSI_t = CSA_t + CSB_t + CSC_t + CSD_t$$

where:

CSA_t	means the adjustment in respect of performance for the Day-To-Day Customer Activities Element of the customer satisfaction survey and is derived in accordance with Part B;
CSB_t	means the adjustment in respect of performance for the Market Facilitation Element of the customer satisfaction survey and is derived in accordance with Part C;
CSC_t	means the adjustment in respect of performance for the Long-Term Customer Activities Element of the customer satisfaction survey and is derived in accordance with Part D; and
CSD_t	means the adjustment in respect of performance for the Other Activities & Events Element of the customer satisfaction survey and is derived in accordance with Part E.

Part B Day-To-Day Customer Activities Element of the customer satisfaction survey (CSA_t)

4.2.1 The CSA_t term is derived in accordance with the following formula:

$$CSA_t = \begin{cases} \min \left(\frac{CSAS_t - CSATU_t}{CSAMAX_t - CSATU_t}, 1 \right) [0.84], & CSAS_t > CSATU_t \\ \max \left(\frac{CSAS_t - CSAT_t}{CSAT_t - CSAMIN_t}, -1 \right) [0.84], & CSAS_t < CSAT_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

$CSAS_t$	means the performance score for the Day-To-Day Customer Activities Element of the customer satisfaction survey;
$CSAT_t$	means the Day-To-Day Customer Activities Element score at which the penalty will be applied, and has the value 8.8;
$CSATU_t$	means the Day-To-Day Customer Activities Element score at which the reward will be applied, and has the value 9.2;
$CSAMAX_t$	means the Day-To-Day Customer Activities Element performance score at which the maximum level of reward will be applied, and has the value 9.5; and
$CSAMIN_t$	means the Day-To-Day Customer Activities Element performance score at which the maximum level of penalty will be applied, and has the value 8.5.

Part C: Market Facilitation Element of the customer satisfaction survey (CSB_t)

4.2.2 The CSB_t term is derived in accordance with the following formula:

$$CSB_t = \begin{cases} \min \left(\frac{CSBS_t - CSBTU_t}{CSBMAX_t - CSBTU_t}, 1 \right) [0.84] & , CSBS_t > CSBTU_t \\ \max \left(\frac{CSBS_t - CSBT_t}{CSBT_t - CSBMIN_t}, -1 \right) [0.84] & , CSBS_t < CSBT_t \\ 0, & Otherwise \end{cases}$$

where:

- $CSBS_t$ means the performance score for the Market Facilitation Element of the customer satisfaction survey;
- $CSBT_t$ means the Market Facilitation Element score at which the penalty will be applied, and has the value 8.7;
- $CSBTU_t$ means the Market Facilitation Element score at which the reward will be applied, and has the value 9.1;
- $CSBMAX_t$ means the Market Facilitation Element performance score at which the maximum level of reward will be applied, and has the value 9.4; and
- $CSBMIN_t$ means the Market Facilitation Element performance score at which the maximum level of penalty will be applied, and has the value 8.4.

Part D: Long-Term Customer Activities Element of the customer satisfaction survey (CSC_t)

4.2.3 The CSC_t term is derived in accordance with the following formula:

$$CSC_t = \begin{cases} \min \left(\frac{CSCS_t - CSCTU_t}{CSCMAX_t - CSCTU_t}, 1 \right) [0.84] & , CSCS_t > CSCTU_t \\ \max \left(\frac{CSCS_t - CSCT_t}{CSCT_t - CSCMIN_t}, -1 \right) [0.84] & , CSCS_t < CSCT_t \\ 0, & Otherwise \end{cases}$$

where:

- $CSCS_t$ means the performance score for the Long-Term Customer Activities Element of the customer satisfaction survey;
- $CSCT_t$ means the Long-Term Customer Activities Element score at which the penalty will be applied, and has the value 8.3;

$C SCTU_t$	means the Long-Term Customer Activities Element score at which the reward will be applied, and has the value 8.7;
$CSCMAX_t$	means the Long-Term Customer Activities Element performance score at which the maximum level of reward will be applied, and has the value 9.0; and
$CSCMIN_t$	means the Long-Term Customer Activities Element performance score at which the maximum level of penalty will be applied, and has the value 8.0.

Part E: Other Activities & Events Element of the customer satisfaction survey (CSD_t)

4.2.4 The CSD_t term is derived in accordance with the following formula:

$$CSD_t = \begin{cases} \min \left(\frac{CSDS_t - CSDTU_t}{CSDMAX_t - CSDTU_t}, 1 \right) 0.28, & CSDS_t > CSDTU_t \\ \max \left(\frac{CSDS_t - CSDT_t}{CSDT_t - CSDMIN_t}, -1 \right) 0.28, & CSDS_t < CSDT_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

$CSDS_t$	means the performance score for the Other Activities & Events Element of the customer satisfaction survey;
$CSDT_t$	means the Other Activities & Events Element score at which the penalty will be applied, and has the value 8.5;
$CSDTU_t$	means the Other Activities & Events Element score at which the reward will be applied, and has the value 8.9;
$CSDMAX_t$	means the Other Activities & Events Element performance score at which the maximum level of reward will be applied, and has the value 9.2; and
$CSDMIN_t$	means the Other Activities & Events Element performance score at which the maximum level of penalty will be applied, and has the value 8.2.

Part F: Customer satisfaction surveys

- 4.2.5 The licensee must, unless the Authority otherwise consents, carry out a survey at least once in each Regulatory Year to assess customer satisfaction with its Licensed Activity.
- 4.2.6 The licensee may include such questions in the survey as it considers appropriate, but:
 - (a) the survey must include a question that asks for overall customer satisfaction to be rated on a scale of 1-10, where 1 is low and 10 is high; and
 - (b) the question must be framed as “Based on your experience of the service you received, how satisfied are you with National Gas Transmission?”.
- 4.2.7 The licensee must ensure that the service is recorded within the Relevant Element.
- 4.2.8 The minimum response threshold that the licensee must obtain for Significant Interactions with customers is:
 - (a) 30 for services relating to the Day-To-Day Customer Activities Element;
 - (b) 30 for services relating to the Market Facilitation Element;
 - (c) 30 for services relating to the Long-Term Customer Activities Element; and
 - (d) 30 for services relating to the Other Activities & Events Element.
- 4.2.9 If the licensee fails to meet the minimum response threshold in that year, the adjustment in respect of performance for the respective Relevant Element will be 0.
- 4.2.10 The licensee must share the results of this survey with the Authority.
- 4.2.11 In this condition:
 - (a) “Day-To-Day Customer Activities Element” means the element of the customer satisfaction survey that measures customer satisfaction in relation to day-to-day customer activities services carried out by the licensee (CSAt). This includes where available: control room operations, regular engagement between operational teams from NGT and direct connect and shipper customers, as well as maintenance services carried out by NGT.
 - (b) “Market Facilitation Element” means the element of the customer satisfaction survey that measures customer satisfaction in relation to market facilitation services carried out by the licensee (CSBt). This includes where available: activities associated with validation of end of Day (EoD) measurements and allocations, metering, reconciliation and measurement assurance to ensure correct shipper billing, energy balancing related queries, setting up and allocating capacity auctions and managing capacity constraint strategies.

- (c) “Long-Term Customer Activities Element” means the element of the customer satisfaction survey that measures customer satisfaction in relation to long-term customer activities services carried out by the licensee (CSCt). This includes where available: connections, disconnections, markets and strategy changes and Uniform Network Code modifications and engagements.
- (d) “Other Activities & Events Element” means the element of the customer satisfaction survey that measures customer satisfaction in relation to any other activities and events services carried out by the licensee (CSDt), including where available events and future of gas projects.
- (e) “Relevant Element” means one of the following:
- i. the Day-to-Day Customer Activities Element;
 - ii. the Market Facilitation Element;
 - iii. the Long-Term Customer Activities Element; or
 - iv. the Other Activities & Events Element, as appropriate.'
- (f) “Significant Interactions” means a direct interaction with a customer via telephone, virtual or face-to-face meetings, or email threads i.e. an interaction that is not transactional or automated. These interactions will usually include solving a query, the provision of information or documents, or a much lengthier ongoing interaction with the customer.

Chapter 5: Other revenue allowances

Special Condition 5.1 Transportation owner other revenue allowance (ORA_t)

Introduction

- 5.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

Part D: Formula for calculating total other revenue allowance (ORA_t)

- 5.1.2 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA + SIFF_t + PRPN_t$$

where:

- NIA_t is derived in accordance with Special Condition 5.2 (RIIO-3 Networks Innovation Allowance);
- $CNIA$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);
- $SIFF_t$ is derived in accordance with Special Condition 5.7 (The strategic innovation fund); and
- $PRPN_t$ means the pre-RIIO pension true up and has the value given in the GT3 Price Control Financial Model.

Special Condition 5.2 RIIO-3 Network Innovation Allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA .
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA .

Part A: Formula for calculating the Network Innovation Allowance term (NIA_t)

- 5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

$$NIA_t = 90\% \times NIAE_t$$

where:

$NIAE_t$ means the Total NIA Expenditure.

- 5.2.5 The total value of the NIA over the RIIO-3 Price Control Period is subject to the following cap:

$$\sum_{t=2026/27}^{2030/31} (NIA_t) \leq (TNIA_t)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4.

$TNIA_t$ means the value of the licensee's Network Innovation Allowance as set out in Appendix 1.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

Part B: The RIIO-3 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-3 NIA Governance Document.
- 5.2.8 The Authority will issue and amend the RIIO-3 NIA Governance Document by direction.
- 5.2.9 The Authority will publish the RIIO-3 NIA Governance Document on the Authority's Website.
- 5.2.10 The RIIO-3 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:
- (a) the definition of "unrecoverable NIA expenditure";
 - (b) the eligibility criteria, which RIIO-3 NIA Projects must meet;
 - (c) the information that is to be published by the licensee before RIIO-3 NIA Projects can begin;
 - (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-3 NIA Project, and the processes and procedures for that approval;
 - (e) arrangements for ensuring that learning from RIIO-3 NIA Projects is captured and disseminated by the licensee to other Gas Transporter Licensees;
 - (f) the reporting obligations in respect of RIIO-3 NIA Projects (which may include reporting in respect of the funding and the completion of such projects); and
 - (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-3 NIA Projects.

- 5.2.11 Before directing that the RIIIO-3 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed RIIIO-3 NIA Governance Document;
 - (b) the date on which the Authority intends the RIIIO-3 NIA Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the RIIIO-3 NIA Governance Document, which will not be less than 28 days.
- 5.2.12 Before directing an amendment to the RIIIO-3 NIA Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIIO-3 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIIO-3 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIIO-3 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIIO-3 NIA Governance Document, which will not be less than 28 days.

Appendix 1

Value of the licensee's Network Innovation Allowance

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORAt (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIIO-2 NIA funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 The value of CNIA is derived from the following formula:

$$CNIA = CNIA_{26/27} + 0.5 \times CNIA_{25/26}$$

where:

$CNIA_{26/27}$ means the $CNIA_t$ formula with reference to the formula in part B
 $CNIA_{25/26}$ means the $CNIA_t$ formula with reference to the formula in part B

- 5.3.5 For the period commencing on 1 April 2026, the value of $CNIA$ is derived in accordance with the following formula:

$$CNIA_t = (0.9 \times \min [ECNIA_t, CNIAV] - CNIA_{R_t}) \times \frac{PI_{2023/24}}{PI_t}$$

where:

$ECNIA_t$ means the expenditure incurred by the licensee in respect of Eligible $CNIA$ Projects as calculated by the licensee in accordance with the RIIO-2 NIA Governance Document and reported to the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance);

$CNIAV$ is derived in accordance with the formula in Part B;

$CNIA_R$ means an amount recovered by the licensee in relation to the Regulatory Year 2026/27 under the RIIO-2 NIA which the Authority has directed is unrecoverable in accordance with the RIIO-2 NIA Governance Document; and

$\frac{PI_{2023/24}}{PI_t}$ is the price index derived in accordance with Part F of Special Condition 2.1.

- 5.3.6 For the period commencing on 1 April 2027 and ending on 30 September 2027, the value of $CNIA_t$ is derived in accordance with the following formula:

$$CNIA_t = 0.5 \times CNIA_{2026/27}$$

- 5.3.7 In respect of any time after 30 September 2027, the value of $CNIA_t$ is equal to zero.

- 5.3.8 Eligible $CNIA$ Internal Expenditure may not exceed 25% of the total Eligible $CNIA$, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term ($CNIAV$)

- 5.3.9 The value of $CNIAV$ is derived in accordance with the following formula:

$$CNIAV = NIAV_t \times (R * -PT_t - ODI_t) - (ENIA_t)$$

where:

$NIAV_t$ means the licensee's NIA Percentage, and has the value that is attributed to the licensee in Appendix 1 (which has effect as part of this condition);

R^* as defined in Condition 2.1;

PT_t as defined in Condition 2.1;

ODIt as defined in Condition 6.1; and

ENIA_t means the Eligible NIA Expenditure for Relevant Year *t* incurred by the licensee in respect of Eligible NIA Projects as calculated by the licensee in accordance with the NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).

Part C: The RIIO-2 NIA Governance Document

- 5.3.10 The licensee must comply with the RIIO-2 NIA Governance Document in relation to the Carry-over Network Innovation Allowance and all Eligible CNIA Projects.
- 5.3.11 The Authority will amend the RIIO-2 NIA Governance Document by direction.
- 5.3.12 The RIIO-2 NIA Governance Document makes and will continue to make additional provision in respect of:
- (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects is captured and disseminated by the licensee to other Gas Transporter Licensees whose licences contain a condition of equivalent effect to this condition;
 - (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-2 NIA Governance Document);
 - (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
 - (d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

Part D: Procedure for amending the RIIO-2 NIA Governance Document

- 5.3.13 Before amending the RIIO-2 NIA Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIO-2 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

Special Condition 5.4 System operator other revenue allowance (SOORA_t)

Introduction

- 5.4.1 The purpose of this condition is to calculate the term SOORA_t (the other revenue allowance term). This contributes to the calculation of SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

Part A: Formula for calculating total other revenue allowance (SOORA_t)

- 5.4.2 The value of SOORA_t is derived in accordance with the following formula:

$$SOORA_t = CM_t + SOEI_t + SOIRC_t + SOPRPN_t$$

where:

- CM_t is derived in accordance with Special Condition 5.5;
 $SOIRC_t$ is derived in accordance with Special Condition 5.6; and
 $SOPRPN_t$ means the pre-RIIO pension true up and has the value given in the GT3 Price Control Financial Model.
 $SOEI_t$ is derived in accordance with special condition 5.8.

Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM_t)

Introduction

- 5.5.1 The purpose of this condition is to calculate the term CM_t (the Entry Capacity and Exit Capacity Constraint Management allowed revenue term). This contributes to calculation of SOORA_t (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).
- 5.5.2 CM_t is the sum of Exit Capacity buyback costs, revenue from accelerated release of Incremental Obligated Entry Capacity and the incentive revenue from the Constraint Management incentive scheme, that encourages the licensee to minimise its Constraint Management costs net of revenue.

Part A: The Constraint Management allowed revenue (CM_t)

- 5.5.3 The value of CM_t is derived in accordance with the following formula:

$$CM_t = CMIR_t + RAREnCA_t + ExBBCNLRA_t$$

where:

- $CMIR_t$ is derived in accordance with paragraph 5.5.4;
 $RAREnCA_t$ means the revenue from the accelerated release of Incremental Obligated Entry Capacity from the sale of Non-Obligated Entry Capacity at an NTS Entry Point; and

$ExBBCNLRA_t$ is the Exit Capacity buyback costs incurred by the licensee which users are liable to reimburse to the licensee in accordance with the Uniform Network Code and which arise:

- (a) as a result of the rate of offtake by a User at a particular NTS Exit Point exceeding the maximum permitted offtake rate for that NTS Exit Point;
- (b) as a result of an Aggregate Overrun of Exit Capacity at an NTS Exit Point; or
- (c) in respect of any NTS Exit Point in respect of which the licensee has notified a planned Maintenance Day in accordance with the Uniform Network Code.

Part B: The Constraint Management incentive revenue (CMIR_t)

5.5.4 The value of CMIR_t is derived in accordance with the following formula:

$$CMIR_t = CMSF \times (CMOpTC_t - CMOpPM_t) - CMInvC_t$$

where:

$CMSF$ is the Constraint Management sharing factor which has the value of the Totex Incentive Strength;

$CMOpTC_t$ is derived in accordance with paragraph 5.5.12;

$CMOpPM_t$ is derived in accordance with part 5.5.5;

$CMInvC_t$ is derived in accordance with paragraph 5.5.9; and

$$\text{if } CMIR_t \leq ANLL_t \text{ then } CMIR_t = ANLL_t, \text{ or if } CMIR_t > ANLU_t \text{ then } CMIR_t = ANLU_t$$

where:

$ANLL_t$ has the value set out in Appendix 2; and

$ANLU_t$ has the value set out in Appendix 3.

Part C: The Constraint Management operational performance measure (CMOpPM_t)

5.5.5 The value of CMOpPM_t is derived in accordance with the following formula:

$$CMOpPM_t = CMOpC_t - ExBBCNLRA_t - ((RNOEC_t \times 0.14) - (RAREnCA_t \times 0.14)) - RLOC_t - (RNOExC_t \times 0.14) - RADD_t$$

where:

$CMOpC_t$ is derived in accordance with paragraph 5.5.8;

$ExBBCNLRA_t$ has the meaning set out in paragraph 5.5.3;

$RNOEC_t$ is the revenue derived by the licensee from sales of Non-Obligated Entry Capacity;

$RAREnCA_t$	has the meaning set out in paragraph 5.5.3;
$RLOC_t$	is the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges;
$RNOExC_t$	is the revenue derived by the licensee from the sale of Non-Obligated Exit Capacity;
$RADD_t$	is any further revenues derived by the licensee that the Authority has directed the licensee to include in the Constraint Management operational performance measure $CMOpPM_t$.

Part D: NOT USED

5.5.6 NOT USED

Part E: NOT USED

5.5.7 NOT USED

Part F: The Constraint Management operational costs ($CMOpC_t$)

5.5.8 The value of $CMOpC_t$ is derived in accordance with the following formula:

$$CMOpC_t = EnCMOpC_t + ExCMOpC_t$$

where:

$EnCMOpC_t$ means the Entry Capacity operational Constraint Management cost term, incurred by the licensee in respect of Entry Capacity Constraint Management but excluding those included within the $EnCMInvC_t$ term (as defined in paragraph 5.5.9); and

$ExCMOpC_t$ means the Exit Capacity operational Constraint Management cost term incurred by the licensee in respect of Exit Capacity Constraint Management but excluding those included within the $ExCMInvC_t$ term (as defined in paragraph 5.5.9).

Part G: The Constraint Management investment costs ($CMInvC_t$)

5.5.9 The value of $CMInvC_t$ is derived in accordance with the following formula:

$$CMInvC_t = EnCMInvC_t + ExCMInvC_t$$

where:

$EnCMInvC_t$ is the Entry Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Entry Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Entry Capacity has been physically delivered; and

$ExCMInvC_t$ is the Exit Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Exit Capacity first

released for sale by the licensee on or after 1 April 2021 until such time as that Exit Capacity has been physically delivered.

- 5.5.10 In deriving $EnCMInvC_t$ and $ExCMInvC_t$ the licensee must use reasonable endeavours to ensure it does not pay more than 0.52p/kWh/Day in respect of Constraint Management costs for Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.
- 5.5.11 Where the licensee has incurred either Entry Capacity or Exit Capacity costs for Constraint Management in respect of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity, the licensee must, no later than 28 days following the last Constraint Management action in respect of $EnCMInvC_t$ and $ExCMInvC_t$, send a report to the Authority demonstrating how it used reasonable endeavours to satisfy the obligation in paragraph 5.5.10.

Part H: The Constraint Management operational target ($CMOpTC_t$)

- 5.5.12 The value of $CMOpTC_t$ is derived in accordance with the following formula:

$$CMOpTC_t = CMOpBT_t + CMOpDT_t$$

where:

$CMOpBT_t$ is the Constraint Management base target as specified in Appendix 1; and

$CMOpDT_t$ is the variation to the Constraint Management target (which could be positive or negative) as determined in accordance with Part I.

Part I: Determination of the variation to the Constraint Management operational target

- 5.5.13 The licensee must apply to the Authority in writing setting out its proposal for $CMOpDT_t$ where the implementation of the Re-opener in Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) is likely to cause a variation in the Constraint Management operational target in Part H.
- 5.5.14 Where the licensee makes an application under paragraph 5.5.13 it must include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal, the following:
- (a) an explanation of how implementation of the Re-opener will cause a variation in the value of $CMOpDT_t$ and in turn the variation in the Constraint Management operational target, setting out any proposed amendments to $CMOpTC_t$;
 - (b) the evidence to support the licensee's proposal;
 - (c) the date from which the variation to the Constraint Management operational target would apply and, where relevant, the date to which it would apply; and

- (d) the value that the licensee proposes the CMOpDT_t term should take in each relevant Regulatory Year.
- 5.5.15 The licensee must keep a record of each application made under paragraph 5.5.13.
- 5.5.16 The licensee must implement the proposal as set out in the application made pursuant to paragraph 5.5.13 or as modified in accordance with paragraph 5.5.17, unless:
 - (a) the Authority has, during the period of 28 days beginning with the date of receipt by the Authority of the application, directed the licensee to suspend implementation of the proposal because in the Authority's opinion the application made pursuant to paragraph 5.5.13 requires further consideration to evaluate whether the proposal, and the supporting information, are consistent with the licensee's duties under the Act and the conditions of its licence; or
 - (b) the Authority has, during the period of 56 days beginning with the date of receipt by the Authority of the application, directed the licensee not to implement the proposal.
- 5.5.17 Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 5.5.16(a), the Authority will, during the period of 56 days beginning with the date of receipt by the Authority of the application, direct the licensee either:
 - (a) to implement the proposal in accordance with the application made under paragraph 5.5.13; or
 - (b) to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:
 - i. the value of CMOpDT_t; and
 - ii. the date from which the value of CMOpDT_t applies.
- 5.5.18 A direction under paragraph 5.5.17 will set out any amendments to Appendix 1.
- 5.5.19 Where a proposal is implemented without the Authority giving a direction, the value of CMOpDT_t will be that proposed by the licensee, unless and until it is withdrawn under paragraph 5.5.20, when it will revert to the value in the previous proposal or zero, whichever is more recent.
- 5.5.20 The licensee may withdraw a proposal made under paragraph 5.5.13 unless the Authority has given a direction under paragraph 5.5.17.

Part J: Obligation to produce a statement of Constraint Management cost allocation rules

- 5.5.21 The licensee must have a statement of Constraint Management cost allocation rules, setting out the rules for attributing Constraint Management costs for the purposes of Part F and Part G approved by the Authority.

Part K: Parameters to review Constraint Management

5.5.22 The Authority may review some or all conditions contained within Special Condition 5.5, notifying the licensee of the intent and extent of the review, when:

- (a) $CMIR_t \leq ANLL_t$ in any Regulatory Year;
- (b) $CMIR_t \geq ANLU_t$ for two consecutive Regulatory Years; or
- (c) where the Authority expects either 5.5.22 (a) or (b) to occur.

Appendix 1

Constraint Management target (CMOpBT_t) by Regulatory Year (£m)

2026/27	2027/28	2028/29	2029/30	2030/31
XXX	XXX	XXX	XXX	XXX

Appendix 2

Annual lower limits on Constraint Management incentive revenue (ANLL_t) by Regulatory Year (£m)

2026/27	2027/28	2028/29	2029/30	2030/31
XXX	XXX	XXX	XXX	XXX

Appendix 3

Annual upper limits on Constraint Management incentive revenue (ANLU_t) by Regulatory Year (£m)

2026/27	2027/28	2028/29	2029/30	2030/31
XXX	XXX	XXX	XXX	XXX

Special Condition 5.6 System operator external incentives, revenues and costs (SOIRC_t)

Introduction

- 5.6.1 The purpose of this condition is to calculate the term SOIRC_t (the system operator incentive revenue and costs term). This contributes to calculation of SOORA_t (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).
- 5.6.2 This condition also outlines the licensee's obligations in relation to certain gas system operator services.

Part A: The system operator incentive revenue and costs (SOIRC_t)

- 5.6.3 The value of SOIRC_t is derived in accordance with the following formula:

$$SOIRC_t = RBC_t + OMC_t + SC_t + RBIR_t + QDAIR_t + MIR_t$$

where:

RBC_t is an amount (£m) equal to the revenue equivalent to the net residual balancing costs incurred by the licensee in respect of Regulatory Year t and shall be equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount across all Days in Regulatory Year t ;

OMC_t is the total costs incurred by the licensee from the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements. It includes all capacity fees, gas delivery service fees, standby fees and costs associated with reprofiling, withdrawing and injecting gas into and out of gas Storage Facilities and costs that may arise as a result of the difference between the Operating Margins WACOG and Net Margins WACOG (as calculated in accordance with the Uniform Network Code) in the event of service utilisation multiplied by the relevant utilisation volume;

SC_t is derived in accordance with Part I.

$RBIR_t$ is derived in accordance with Part B;

$QDAIR_t$ is derived in accordance with Part C;

MIR_t is derived in accordance with Part F.

Part B: The residual balancing incentive ($RBIR_t$)

1.1.2 The value of $RBIR_t$ is derived in accordance with the following formula:

$$RBIR_t = \min [1.6, \max (STIP_t, -2.8)]$$

where:

$STIP_t$ is the sum of the total daily incentive payments and is derived in accordance with the following formula:

$$STIP_t = \frac{\sum_d DPIP_{t,d} + \sum_d DLIP_{t,d}}{1,000,000}$$

where:

$DPIP_{t,d}$ is the daily price incentive payment on Day d and is derived in accordance with paragraph 5.6.5; and

$DLIP_{t,d}$ is the daily linepack incentive payment on Day d and is derived in accordance with paragraphs 5.6.7 and 5.6.8.

5.6.4 The value of $DPIP_{t,d}$ is derived in accordance with the following table:

$PPM_{t,d}$	$DPIP_{t,d}$
$0 \leq PPM_{t,d} \leq 5$	$1,200 - (PPM_{t,d} \times 800)$
$5 < PPM_{t,d} < 75.667$	$-2,800 - (300 \times (PPM_{t,d} - 5))$

$75.667 \leq PPM_{t,d}$	$-24,000$
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5.6.5 The value of $PPM_{t,d}$ is derived in accordance with the following formula:

$$PPM_{t,d} = \left(\frac{(TMIBP_{t,d} - TMISP_{t,d})}{SAP_{t,d}} \right) \times 100$$

where:

$TMIBP_{t,d}$ is the price (p/kWh) equal to the highest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d, $TMIBP_{t,d}$ equals $SAP_{t,d}$;

$TMISP_{t,d}$ is the price (p/kWh) equal to the lowest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d, $TMISP_{t,d}$ equals $SAP_{t,d}$; and

$SAP_{t,d}$ is the System Average Price (p/kWh) in respect of Day d of Regulatory Year t.

5.6.6 The value of $DLIP_{t,d}$ is derived for the months that are not Shoulder Months of Regulatory Year t in accordance with the following table:

$LPM_{t,d}$	$DLIP_{t,d}$
$0 \leq LPM_{t,d} \leq 1.5$	3,200
$1.5 < LPM_{t,d} < 2.8$	$3,200 \times \left(\frac{2.8 - LPM_{t,d}}{1.3} \right)$
$LPM_{t,d} = 2.8$	0
$15 > LPM_{t,d} > 2.8$	$-24,000 \times \left(\frac{2.8 - LPM_{t,d}}{-12.2} \right)$
$LPM_{t,d} \geq 15$	-24,000

5.6.7 For the Shoulder Months of Regulatory Year t, the value of $DLIP_{t,d}$ is derived in accordance with the following table:

$LPM_{t,d}$	$DLIP_{t,d}$
$0 \leq LPM_{t,d} \leq 1.5$	3,200
$1.5 < LPM_{t,d} < 2.8$	$3,200 \times \left(\frac{2.8 - LPM_{t,d}}{1.3} \right)$
$2.8 \leq LPM_{t,d} \leq 5.6$	0
$15 > LPM_{t,d} > 5.6$	$-24,000 \times \left(\frac{5.6 - LPM_{t,d}}{-9.4} \right)$
$LPM_{t,d} \geq 15$	-24,000

5.6.8 The value of the $LPM_{t,d}$ is derived in accordance with the following formula:

$$LPM_{t,d} = \max \left[(OLP_{t,d} - CLP_{t,d}), (CLP_{t,d} - OLP_{t,d}) \right]$$

where:

$OLP_{t,d}$ is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d; and

$CLP_{t,d}$ is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d+1.

Part C: Quality of demand forecasting incentive (QDAIR_t)

5.6.9 The value of QDAIR_t is derived in accordance with the table below:

DAFIE _t	QDAIR _t
$0 \leq \text{DAFIE}_t \leq 5 + \text{DFA}_t$	1.7
$5 + \text{DFA}_t < \text{DAFIE}_t < 11 + \text{DFA}_t$	
$11 + \text{DFA}_t \leq \text{DAFIE}_t$	1.7

where:

DAFIE_t is the Day ahead demand forecasting incentivised average forecast error (mcm/d) derived in accordance with paragraph 5.6.11; and

DFA_t is the Day ahead demand forecasting adjustment (mcm) derived in accordance with paragraph 5.6.12.

DFIF_t is the Day ahead demand forecasting improvement factor (mcm) derived in accordance with paragraph 5.6.13.

5.6.10 The value of DAFIE_t is derived in accordance with the following formula:

$$\text{DAFIE}_t = \sum_d \left(|\text{DADF}_d - \text{AD}_d| \times \frac{\text{AD}_d}{\sum_d \text{AD}_d} \right)$$

where:

$\sum_d x$ is the sum of x for all Days d of Regulatory Year t;

DADF_d is the Day ahead forecast NTS throughput value (mcm) for all Days in Regulatory Year t, published by the licensee (in accordance with the Uniform Network Code) on its website not later than 14:00 hours on the Day preceding Day d of Regulatory Year t. Where the Day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours on the Day preceding Day d, the next forecast published on the licensee's website for the Day concerned shall be used; and

AD_d is the Actual NTS Throughput value (mcm) on a given Day d, calculated five Days following the Day (d+5), on each Day of Regulatory Year t.

5.6.11 The value of DFA_t is derived in accordance with the following formula:

$$\text{DFA}_t = \min [\text{DFWA}_t, 2]$$

where:

DFWA_t is the demand forecasting wind generation adjustment derived in accordance with the following formula:

$$DFWA_t = \max[0, NFW_t - AW_d(+ (DFWA_{t-1} \times DFCI_t))]$$

where:

$DFCI_t$ is the demand forecasting adjustment continuous improvement factor and equals 0.5; and

NWF_t is the NESO Day Ahead Wind Forecast for all Days in Regulatory Year t, published by NESO on its website.

AW_d is the Actual wind generation value on a given Day d, published by NESO on their website, on each Day of Regulatory Year t.

5.6.12 The value of $DFIF_t$ is derived in accordance with the following formula:

$$DFIF_t = DFIF_{t-1} + 0.24$$

5.6.13 The licensee must send a report to the Authority on the activities, projects and investments undertaken by the licensee, and the costs of these actions, in respect of its annual efforts to improve its quality of demand forecasting at a Day ahead:

- (a) by 31 July 2027;
- (b) within each succeeding period of twelve months; and
- (c) in respect of the previous Regulatory Year.

5.6.14 The licensee must record and report to the Authority on its annual performance in delivering two to five days ahead demand forecasts (D-2 to D-5), including the licensee's D-2 to D-5 annual average forecast error:

- (a) by 31 August 2026; and
- (b) by 31 July in each subsequent Regulatory Year
- (c) or by such other date as the Authority may direct.

5.6.15 The two to five days ahead demand forecasting average error ($TFDE_t$) is derived in accordance with the following formula:

$$TFDE_t = \left[\frac{\sum_{i=2}^5 AFE_{d-i}}{4} \right]$$

where:

$\sum_{i=2}^5 x_{d-i}$ is the sum of x_{d-i} for i from i = 2 to i = 5 where for i = 2 the value of x_{d-i} means the value for two Days ahead of the Day d, and for i = 5 the value of x_{d-i} means the value for five Days ahead of the Day d; and

AFE_{d-i} is the average forecast error (mcm) as derived in accordance with the following formula:

$$AFE_{d-i} = \sum_d \left(|DF_{d-i} - AD_d| \times \frac{AD_d}{\sum_d AD_d} \right)$$

For $i = 2, 3, 4$ and 5 , and where:

$\sum_d x$ is the sum of x for all Days d of Regulatory Year t ; and

DF_{d-i} is the demand forecast NTS throughput value (mcm) for all Days in Regulatory Year t published by the licensee on its website not later than 16:00 hours at two, three, four and five Days ahead ($d-2, d-3, d-4, d-5$) in respect of each Day of Regulatory Year t . Where the two, three, four or five Days ahead 16:00 forecast NTS throughput values are not published by 16:00 hours at two, three, four or five Days ahead ($d-2, d-3, d-4, d-5$) the next forecast published on the licensee's website for the gas Day concerned shall be used.

Part D: Not used (moved to 5.8)

Part E: Not used (moved to 5.8)

Part F: The Maintenance incentive (MIR_t)

5.6.16 The value of MIR_t is derived in accordance with the following formula:

$$MIR_t = MCIR_t + MDI_t + MDIRV_t$$

where:

$MCIR_t$ is the Maintenance change incentive revenue and is derived in accordance with paragraph 5.6.18;

MDI_t is the Maintenance Days incentive revenue for work excluding Valve Operations term and is derived in accordance with paragraph 5.6.19; and

$MDIRV_t$ is the Maintenance Days incentive revenue for Valve Operations term and is derived in accordance with paragraph 5.6.21.

5.6.17 The value of $MCIR_t$ is derived in accordance with the following formula:

If $MCICD_t < MCITD_t$, then:

$$MCIR_t = \min [(MCITD_t - MCICD_t) \times 0.07, 0.25]$$

If $3.5\% < MCICD_t \leq 4.0\%$, then:

$$MCIR_t = 0$$

If $MCICD_t \geq MCITD_t$, then:

$$MCIR_t = \max [(MCITD_t - MCICD_t) \times 0.07, -0.5]$$

where:

$MCICD_t$ is the total number of actual Maintenance Change Days for Regulatory Year t in relation to the Maintenance Workload, in Days for Regulatory Year t, expressed as a percentage; and

$MCITD_t$ is the Maintenance change incentive target and has a value 3.5% of actual Maintenance Change Days for Regulatory Year t in relation to the Maintenance Workload, in Days for Regulatory Year t.

5.6.18 The value of MDI_t is derived in accordance with the following formulas:

If $MDA_t \geq MADT_t$ then:

$$MDI_t = \min[0.35, MDINP_t \times 0.05]$$

otherwise:

$$MDI_t = \max [MDINP_t \times 0.05, -0.7]$$

5.6.19 The value of $MDINP_t$ (the Maintenance Days incentive performance measure for work excluding Valve Operations term) is derived in accordance with the following formula:

$$MDINP_t = MDA_t - MADT_t$$

where:

MDA_t is the number of Advice Notice Days that excludes Valve Operations in Regulatory Year t;

$MADT_t$ is the Advice Notice Day target, excluding Valve Operations, as derived in accordance with the following formula:

$$MADT_t = 0.9 \times TQM_t; \text{ and}$$

TQM_t is the total quantity of Customer Impacting Work in Days in respect of customers who are offtaking from the NTS, excluding Valve Operations and as derived in accordance with the licensee's Maintenance Plan for Regulatory Year t.

5.6.20 The value of $MDIRV_t$ (the Maintenance Days incentive revenue for Valve Operations, £m) is derived in accordance with the following formula:

If $MDV_t \leq 4$ then:

$$MDIRV_t = 0$$

otherwise:

$$MDIRV_t = \max [MPMV_t \times 0.02, -0.5]$$

5.6.21 $MPMV_t$ (the Maintenance Days performance measure for Valve Operations work, in Days) is derived in accordance with the following formula:

$$MPMV_t = MDT_t - MDV_t$$

where:

MDT_t is the target number of Maintenance Plan Days, other than Advice Notice Days, in respect of Valve Operations, which has the value 5 (unless otherwise directed by the Authority following notification to it by the licensee of a change made to Maintenance and operational policy to comply with new or revised safety regulations, including the Pipeline Safety Regulations 1996 (S.I. 1996/825); and

MDV_t is the total number of Maintenance Plan Days, other than Advice Notice Days, on which the licensee has undertaken Maintenance in respect of Valve Operations in Regulatory Year t .

Part G: Maintenance and operational planning

- 5.6.22 The licensee must use reasonable endeavours to communicate its Maintenance Plan, covering a three-year period, to Maintenance Relevant Parties who may be affected by planned Maintenance as soon as is reasonably practicable.
- 5.6.23 The licensee must give adequate publicity of its Maintenance Plan to industry parties who are not likely to be affected by planned Maintenance as soon as is reasonably practicable.
- 5.6.24 The licensee must update its Maintenance Plan at least once in each Regulatory Year.
- 5.6.25 The licensee must include in its Maintenance Plan:
- (a) the type of work the licensee intends to carry out and the reasons for carrying out the work;
 - (b) the location of the work the licensee intends to carry out;
 - (c) an indication of the impact of any work identified on Maintenance Relevant Parties (for example in relation to a requirement for a reduced flow, steady flow or total cessation of the flow of gas);
 - (d) an indication of the dates upon which any work identified will take place; and
 - (e) an indication of the duration of the work identified (number of hours or Days).
- 5.6.26 The licensee's communications under this condition must, as far as is practicable, include the publication of Maintenance requirements on the licensee's website and include the appropriate contact details for the licensee.
- 5.6.27 For the avoidance of doubt, this condition does not require the licensee to provide any information that, in the opinion of the licensee, may be commercially sensitive or confidential, or which it would, but for the application of this condition, not be entitled to disclose as a result of the application of section 105 of the Utilities Act 2000 (general restrictions on disclosure of information).

- 5.6.28 The licensee must use reasonable endeavours to agree all changes to its Maintenance Plan with any Maintenance Relevant Parties who may be affected by the Maintenance set out in the Maintenance Plan.
- 5.6.29 The licensee must use reasonable endeavours to ensure all Maintenance Relevant Parties are aware of the Minor Works Agreement.
- 5.6.30 By 1 June 2027, and by 1 June in each subsequent Regulatory Year, the licensee must publish a report on its website that:
- (a) summarises the Maintenance that it undertook in the previous Regulatory Year, and
 - (b) details the changes made to its Maintenance Plan in respect of the previous Regulatory Year.
- 5.6.31 In relation to obligations to report on the length of both Short ILI and Long ILI, the licensee must publish on its website an ILI Report in respect of the preceding Regulatory Year.
- 5.6.32 The report required by paragraph 5.6.19 must be published by 1 August 2027 and by 1 August in each subsequent Regulatory Year.
- 5.6.33 The Authority may, by direction, require a report referred to in paragraphs 5.6.18 and 5.6.19 to be published before the dates set out in paragraphs 5.6.18 and 5.6.20 respectively in each Regulatory Year or at other specified times.

Part H: Procurement of Operating Margins

- 5.6.34 The licensee must use reasonable endeavours to procure its Operating Margins Requirements in an economic and efficient manner and to promote competition in the provision of Operating Margins to the licensee.
- 5.6.35 To meet its obligations pursuant to paragraph 5.6.47, the licensee must, wherever the licensee considers it is appropriate to do so, consult with OM Interested Parties on the actions it proposes to take to procure Operating Margins and to promote competition in the provision of Operating Margins.
- 5.6.36 The licensee must:
- (a) provide to the Authority an Operating Margins Report; and
 - (b) publish a non-confidential version of the Operating Margins Report on its website.
- 5.6.37 The Operating Margins Report must be provided and published:
- (a) by 31 August 2026;
 - (b) by 31 August in each subsequent Regulatory Year; and
 - (c) unless the Authority otherwise directs.
- 5.6.38 The Operating Margins Report must set out:

- (a) for the Operating Margins Report provided in respect of the Storage Year ending on 30 April and each Operating Margins Report provided thereafter, the actions the licensee has taken pursuant to its obligations under this condition during the previous Storage Year;
- (b) the actions the licensee has taken pursuant to its obligations under this condition in the current Storage Year;
- (c) details of the Operating Margins services it has procured for the current Storage Year;
- (d) a summary of the purchasing activities and exchange trades the licensee has taken during the previous and current Storage Years; and
- (e) any such data or information related to Operating Margins that the Authority may reasonably request.

Part A: System costs

5.6.39 The value of SC_t is derived in accordance with the following formula:

$$SC_t = \sum_q [GC_{t,q} + ECC_{t,q}]$$

where:

- $\sum_q x$ is the sum of x over all Relevant Quarter Years q in the Regulatory Year t ;
- $GC_{t,q}$ is the total costs incurred by the licensee less any revenues received from third parties in respect of Relevant Quarter Year q in Regulatory Year t in the management of NTS Shrinkage, excluding payments under $ECC_{t,q}$; and
- $ECC_{t,q}$ is the total costs incurred by the licensee in respect of Relevant Quarter Year q in Regulatory Year t in procuring electricity for the purposes of operating Electric Compressors.

Special Condition 5.7 The strategic innovation fund (SIF_t)

Introduction

- 5.7.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term $SIFF_t$. This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.7.2 The effect of this condition is to provide funding for Eligible SIF Projects and the administration of the SIF by means of revenues collected by the licensee through its NTS Transportation Owner Charges pursuant to the SIF Funding Mechanism (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

- 5.7.3 This condition also makes provision for arrangements relating to the regulation, administration and governance of the SIF.

Part A: Determination of the value of the SIFF_t term

- 5.7.4 The SIFF_t term is the amount to be recovered by the licensee on behalf of Gas Transporter Licensees, the ISOP and any body administering the SIF, as determined by the Authority under paragraph 5.7.5 in relation to:
- (a) the SIF Funding specified for that Regulatory Year;
 - (b) the SIF Funding specified for that Regulatory Year; and
- 5.7.5 In each Regulatory Year, the Authority will calculate, in accordance with the SIF Governance Document, and then by direction given to the licensee, specify:
- (a) the value for SIFF_t for the licensee, being the amount (if any) to be recovered by the licensee in order to contribute to its own, other Gas Transporter Licensees', the ISOP and any body administering the SIF Funding for that Regulatory Year;
 - (b) the net amounts that are to be transferred between the licensee, other Gas Transporter Licensees, the ISOP and any body administering the SIF in order to ensure that each receives an amount (if any) equal to the proportion of the SIF Funding for that Regulatory Year that is attributable to its Eligible SIF Projects or costs of administering the SIF (adjusted to take into account the amount of any SIF Funding Return); and
 - (c) the manner in which and the timescale over which the net amounts referred to in sub-paragraph (b) are to be transferred.
- 5.7.6 The licensee must comply with any direction issued by the Authority under paragraph 5.7.5.

Part B: The SIF Funding Return Mechanism

- 5.7.7 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 5.7.8 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee specify:
- (a) the amount of any SIF Funding Return that the licensee must return to customers; and
 - (b) the manner in which and the timescale over which that amount is to be paid.
- 5.7.9 The licensee must comply with any direction that is issued by the Authority under paragraph 5.7.8.

Part C: The SIF Governance Document

- 5.7.10 The licensee must comply with the SIF Governance Document.

- 5.7.11 The Authority will issue and amend the SIF Governance Document by direction.
- 5.7.12 The Authority will publish the SIF Governance Document on the Authority's Website.
- 5.7.13 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including but not limited to:
- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
 - (b) the evaluation criteria against which the funding of proposed SIF projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of proposed SIF projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees and the ISOP;
 - (e) the nature of the reporting obligations in respect of Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
 - (f) arrangements relating to the treatment of intellectual property rights, including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

- 5.7.14 Before directing that the SIF Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed SIF Governance Document;
 - (b) the date that the Authority intends the SIF Governance Document to come into effect; and
 - (c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.
- 5.7.15 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended SIF Governance Document;
 - (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
 - (c) the reasons for the amendment to the SIF Governance Document; and
 - (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

- 5.7.16 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.

Special Condition 5.8 System operator external incentives (SOEI_t)

Introduction

- 5.8.1 The purpose of this condition is to calculate the term SOEI_t (the system operator environmental incentive term). This contributes to calculation of SOORA_t (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).
- 5.8.2 The effect of this condition is to reward or penalise the licensee's performance of its functions, unless such performance falls within the deadband, if applicable.
- 5.8.3 This condition also outlines the licensee's obligations in relation to certain gas system operator services.

Part A: The System operator environmental incentives

- 5.8.4 The value of SOIRC_t is derived in accordance with the following formula:

$$SOEI_t = GHGCC_t + GHGP_t + SHR_t$$

where:

GHGCC_t is derived in accordance with Part B;

GHGP_t is derived in accordance with Part C;

SHR_t is derived in accordance with Part G.

Part B: The Greenhouse Gas Compressor Emissions Incentive (GHGCC_t)

- 5.8.5 The value of GHGCC_t is derived in accordance with the following formula:

$$GHGCC_t = \min [2, \max (CEP_t, -2)]$$

where:

CEP_t is derived in accordance with paragraph 5.8.6.

- 5.8.6 The value of CEP_t is derived in accordance with the following formula:

$$CEP_t = \begin{cases} \frac{(CIT_t - CIPM_t - CID_t) GIRP_t}{1,000,000} & CIPM_t \leq CIT_t \\ \frac{(CIT_t - CIPM_t + CID_t) GIRP_t}{1,000,000} & CIPM_t \geq CIT_t \\ 0 & else \end{cases}$$

where:

CIT_t is the venting incentive target (in tonnes of natural gas) and equals:

- 2,224 in 2026/27;
- 2,124 in 2027/28;
- 2,024 in 2028/29;
- 1,924 in 2029/30;
- 1,824 in 2030/31

CID_t means the compressor incentive deadband (in tonnes of natural gas) and equals 100;

$CIPM_t$ means the venting incentive performance measure (in tonnes of natural gas) calculated as the aggregate amount of Natural Gas Vented from all Compressors; and

$GIRP_t$ is derived in accordance with paragraph 5.8.15.

Part C: The Greenhouse Gas Pipeline Emissions Incentive (GHGP_t)

5.8.7 This incentive will be measured and its reward/penalty calculated based on the entire price control, starting in the second regulator year.

5.8.8 The value of GHGPIR_t is derived in accordance with the following formula:

$$GHGPIR_t = \begin{cases} \max \left(\frac{PIPML_t \times GIRP_t}{1,000,000}, 1 \right) [-0.875], & RPA_t \leq LPID_t \\ \min \left(\frac{PIPMU_t \times GIRP_t}{1,000,000}, 1 \right) [0.875], & RPA_t \geq UPID_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

RPA_t is the average recompression pressure achieved in a given regulatory year (in barg);

$LPID_t$ is the lower pipeline incentive deadband pressure (in barg) and equals [1 barg];

$UPID_t$ is the upper pipeline incentive deadband pressure (in barg) and equals [1.2 barg];

$PIPML_t$ Means aggregate tonnes of natural gas resompressed below LPID_t in Regulatory Year t;

$PIPMU_t$ Means aggregate tonnes of natural gas recompressed above UPID_t in Regulatory Year t; and

$GIRP_t$ is derived in accordance with paragraph 5.8.15.

5.8.9 By 20 December 2026 the licensee will submit to the Authority externally verified report by an Independent Examiner, confirming that the proposed

pipeline emissions baseline pressure, the *LPID_t* and *UPID_t* have been calculated in line with the most recent GHG emissions calculation methodology and standards.

- 5.8.10 The Annual LPID_t and UPID_t will be established by Authority's Direction, by or at the latest on 19 February 2027 for the Second Regulatory Year, taking into account annual pressure limits.

Part D: The Greenhouse Gas Fugitive Emissions Incentive (GHGF_t)

- 5.8.11 The licensee must, unless the Authority otherwise consents, by 31 July 2027 and once by 31 July in each subsequent Regulatory Year, provide to the Authority a Fugitive Emissions Performance Report, which outlines in respect of the previous Regulatory Year:
- (a) the fugitive emissions detection and repair performance achieved;
 - (b) any extenuating circumstances which affected National Gas' ability to detect and repair fugitive emissions;
 - (c) any information which provides further explanation or elaboration of the licensee's Fugitive Emissions Performance that will be set out in the RIGs issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).
- 5.8.12 By 20 December 2026 the licensee will submit to the Authority externally verified report by an Independent Examiner, confirming that the proposed fugitive baseline emissions levels have been calculated in line with the most recent fugitive emissions calculation methodology, taking into account the relevant fugitive emissions standards.
- 5.8.13 The Baseline Fugitive Emissions Levels (BFEL) will be established by Authority's Direction, by or at the latest on 19 February 2027 for the Second Regulatory Year.
- 5.8.14 The GHGF incentive target (in tCO₂e) equals:
- [0.9] x BFEL in 2027/28;
 - [0.8] x BFEL in 2028/29;
 - [0.7] x BFEL in 2029/30;
 - [0.6] x BFEL in 2030/31.

Part E: Greenhouse Gas Calculation External References

- 5.8.15 The value of GIRP_t (in £/tonne of Natural Gas Vented) is derived in accordance with the following formula:

$$GIRP_t = CCP_t \times VF_t$$

where:

VF_t is the latest methane conversion factor as published by the Department for Energy Security and Net Zero (or any other government department from time to time taking on which may adopt this responsibility);

$CCCP_t$ is the current central carbon price (£/tCO₂e) in Regulatory Year t as published in advance of the Regulatory Year t by the Department for Business, Energy and Industrial Strategy (or any other government department from time to time taking on this responsibility) in year y prices.

Part F: The Greenhouse Gas Emissions Calculation Methodology

- 5.8.16 The licensee must have in place and maintain a Greenhouse Gas Emissions Calculation Methodology approved by the Authority.
- 5.8.17 The Greenhouse Gas Emissions Calculation Methodology must:
- (a) calculate the mass of Natural Gas Vented in accordance with accepted greenhouse gas accounting and auditing principles; and
 - (b) unless the Authority otherwise consents, be accompanied by a statement from a GHG Independent Examiner confirming that the examiner has examined and verified the methodology, including an assessment whether the methodology is consistent with accepted greenhouse gas accounting and auditing principles.
- 5.8.18 The licensee must by 31 July 2027, and by 31 July in each subsequent Regulatory Year, send to the Authority:
- (a) a statement of the mass (in tonnes) of the Natural Gas Vented calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology, both in respect of the previous Regulatory Year; and
 - (b) unless the Authority otherwise consents, a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination to observe whether the mass calculated by the licensee in respect of the previous Regulatory Year in accordance with paragraph (a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.
- 5.8.19 The licensee may review, and if appropriate revise, the Greenhouse Gas Emissions Calculation Methodology.
- 5.8.20 Before commencing a review the licensee must:
- (a) notify the Authority;
 - (b) explain the reasons for the review; and
 - (c) may not conduct the review if during the period of 28 days beginning with the date of the notification the Authority directs the licensee not to conduct the review.
- 5.8.21 Before revising the Greenhouse Gas Emissions Calculation Methodology, and during the period of 28 days beginning with the date of completion of a review, the licensee must send to the Authority:
- (a) a report on the outcome of the review;

- (b) a statement of any proposed revisions or modifications to the Greenhouse Gas Emissions Calculation Methodology that the licensee having regard to the outcome of the review reasonably considers would better achieve the principles and criteria set out in paragraph 5.8.17(a); and
- (c) a statement from a GHG Independent Examiner giving an opinion as to the extent to which any proposed revisions or modifications outlined by the licensee pursuant to paragraph 5.8.21(b) are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Regulatory Year in which the modification is proposed to be effective.

5.8.22 The Authority will within 56 days of receipt of the report and statements under 5.8.21:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

5.8.23 Where the Authority takes no action under 5.8.22 the licensee may treat the revisions as approved by the Authority.

Part G: Shrinkage Procurement Incentive (SHR_t)

5.8.24 The value of SHR_t is derived in accordance with the following formula:

$$SHRT_t = \min [2.3, \max (SHIP_t, -2.3)]$$

where:

$SHIP_t$ is the sum of the total daily incentive payments in a Regulatory Year and is derived in accordance with the following formula:

$$SHIP_t = \frac{\sum_d DSPIP_{t,d}}{1,000,000}$$

where:

$DSPIP_{t,d}$ is the daily shrinkage price incentive payment on Day d of the Regulatory Year and is derived in accordance with paragraph 5.8.25.

5.8.25 The value of $DSPIP_{t,d}$ is derived in accordance with the following formula:

$$DSPIP_{t,d,p} = (SHMP_{t,d,p} - SHRP_{t,d,p}) \times SHVOL_{t,d,p}$$

where:

$SHMP_{t,d,p}$ is the price (p/kWh) equal to the Gas Market Price paid by the licensee in respect of Day d of Regulatory Year t for a specific product p. If the licensee did not procure NTS Shrinkage on Day d of Regulatory Year t, $SHMP_{t,d}$ equals 0;

- $SHRP_{t,d,p}$ is the price (p/kWh) equal to the Gas Reference Market Price as assessed by [ICIS Heren] in respect of Day d of Regulatory Year t for a specific product p. If the licensee did not procure NTS Shrinkage on Day d of Regulatory Year t, $SHRP_{t,d}$ equals 0; and
- $SHVOL_{t,d,p}$ is the volume (kWh) of gas procured on Day d of Regulatory Year t for a specific product p.

Part H: Requirement to undertake work to investigate the causes of NTS Shrinkage

- 5.8.26 The licensee must use reasonable endeavours to undertake UAG Projects and compile a CVS and CFU statement for the purposes of investigating the causes of UAG, CFU and CVS for each Regulatory Year.
- 5.8.27 The licensee must, unless the Authority otherwise directs, publish the NTS Shrinkage Report and provide a copy to the Authority by 1 June in each Regulatory Year for the preceding Regulatory Year.
- 5.8.28 The licensee must outline in the NTS Shrinkage Report:
- (a) the UAG Projects the licensee has undertaken in the previous period;
 - (b) the UAG Projects the licensee proposes to undertake in the next period and its views on whether, and if so how, the findings of the UAG Projects may be taken forward in order to reduce the volume of UAG;
 - (c) the reasons why any UAG Projects that the licensee proposed to undertake have not been undertaken during the Regulatory Year;
 - (d) to the extent possible, CFU volume, per Compressor, and how this may have been affected by other activities and innovation projects undertaken by the licensee to reduce CFU;
 - (e) breakdown of any UAG which has been reconciled and description of the issue;
 - (f) a CVS statement outlining the work conducted during the previous period to investigate CVS, and explaining the licensee's understanding of the causes of CVS;
 - (g) any additional activities and inspections undertaken by the licensee to improve metering calibration and accuracy;
 - (h) a summary of any relevant discussions concerning UAG, CFU or CVS with industry for and with interested parties on a one-to-one basis; and
 - (i) any data or information related to UAG, CFU or CVS that the Authority may reasonably request.
- 5.8.29 During the period of 28 days beginning with the date of publication of a NTS Shrinkage Report the licensee must, unless the Authority otherwise consents, publish on its website all the relevant data referred to in the NTS Shrinkage Report.

Part I: Management of NTS Shrinkage Costs

- 5.8.30 The licensee must have in place an internal NTS Shrinkage Procurement Strategy for each gas year, detailing the following as a minimum:
- (a) seasonal forecast gas volumes as percentage in total NTS Shrinkage volumes;
 - (b) quarter forecast volumes as percentage in total NTS Shrinkage volumes;
 - (c) the prompt daily volumes to be bought and sold as percentage in total NTS Shrinkage volumes;
 - (d) the estimated costs to apply to the volumes referred to in sub-paragraphs 5.8.30 (a) to (c), and
 - (e) allowed deviations from the volume the volumes referred to in sub-paragraphs 13.8.30 (a) to (c).
- 5.8.31 The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years submit to the Authority a statement from an Independent Examiner:
- (a) confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
 - (b) giving an opinion on whether the NTS Shrinkage Procurement strategy has been designed and implemented consistent with the licensee's duties under the Act and with the licensee's obligations under this licence.
- 5.8.32 The licensee must, by 31 May in each Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:
- (a) the application, over the previous Regulatory Year, of the NTS Shrinkage Procurement Strategy referred to in paragraph 5.8.30;
 - (b) the licensee's view on the extent to which, over the previous Regulatory Year, the NTS Shrinkage Procurement Strategy objectives were achieved with regard to volume and price of the energy paid for.

Chapter 6: Pass-through expenditure

Special Condition 6.1 Transportation owner pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the transportation owner allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the transportation owner allowed pass-through term (PT_t)

- 6.1.3 The value of PT_t is derived in accordance with the following formula:

$$PT_t = RB_t + LF_t + EDE_t + OPTC_t + IS_t + PTV_t + NZPS_t$$

where:

- RB_t* means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- LF_t* means the net payments made by the licensee in respect of the NTS Transportation Owner Activity under Standard Condition 3 (Payments by the Licensee to the Authority);
- EDE_t* means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS Transportation Owner Activity, as further explained and elaborated upon in the GT2 Price Control Financial Handbook;
- OPTC_t* means the payments made by the licensee to the Secretary of State in respect of Policing Costs;
- IS_t* is derived in accordance with paragraph 6.2.3 of Special Condition 6.2 (Gas conveyed to Independent Systems);
- PTV_t* means the PARCA Termination Value and has the value zero unless directed in accordance with Part D;
- NZPS_t* means the sum of:
- (a) the net amount transferred between the licensee and the Distribution Networks in accordance with Part F of this condition and Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener) of the GDN licence; plus
 - (b) in respect of the licensee, the value directed by the Authority in accordance with paragraph 6.1.11 (b) of this condition.

Part A: Review of Prescribed Rates pass-through term (RB_t)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- (a) engage with the Relevant Valuation Agency; and
 - (b) use reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 The Authority will review the licensee's engagement with the Relevant Valuation Agency with respect to a revaluation.
- 6.1.6 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB_t by direction.
- 6.1.7 Before making a direction under paragraph 6.1.8 the Authority must publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days from the date the proposed direction is published.
- 6.1.8 A direction under paragraph 6.1.8:
- (a) may only specify a different value for RB_t for the Regulatory Years following the Regulatory Year in which the revaluation took place; and
 - (b) may not specify a different value for RB_t that is less than zero.

Part B: Review PARCA Termination Value pass-through term (PTV_t)

- 1.1.2 If the licensee intends to pass-through a PARCA Termination Value, the licensee must send a notice to the Authority setting out the PARCA Termination Costs and the PARCA Termination Amounts received from PARCA Applicants.
- 1.1.3 If, after reviewing the licensee's notice under paragraph 6.1.8, the Authority agrees with the PARCA Termination Value it will direct the value for PTV_t accordingly. If the Authority considers that an alternative adjustment should be made to the PTV_t term, the Authority will direct another value for PTV_t .

Part C: The Distribution Networks' and NTS' Net Zero Pre-construction Work and Small Net Zero Projects Re-opener ($NZPS_t$)

- 6.1.9 The Authority may direct:
- (a) the licensee to pay a sum to a Distribution Network; or

- (b) the licensee to receive a sum, in relation to decisions made under Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener) of the Distribution Network's licence or this licence. This sum, set out in Appendix 2, may be net of any returns of funding directed under Special Condition 3.9 of the Distribution Network's licence or this licence.
- 6.1.10 The Authority may make a direction under paragraph 6.1.11 where:
- (a) the funding for Net Zero Pre-construction Work or Small Net Zero Projects is being provided as a result of the operation of the Re-opener established by Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener) of the Distribution Network's licence or this licence; and
 - (b) the Net Zero Pre-construction Work or Small Net Zero Project is to be funded via all gas consumers.
- 6.1.11 Before making a direction under paragraph 6.1.11, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction.
- 6.1.12 Where applicable, the licensee must pay the relevant Distribution Network the amounts specified in Appendix 2 divided equally on a quarterly basis for the relevant Regulatory Year, or in such other instalments as agreed between the licensee and the relevant Distribution Network.
- 6.1.13 The Authority may amend Appendix 2 by direction, as a result of an application under Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener) of a Distribution Network's licence or this licensee, after consulting with the licensee and/or the relevant Distribution Network.

Appendix 1

Net Licensee Funding and Payments to Distribution Networks for Net Zero Pre-construction Work and Small Net Zero Projects (£m)

Network/Regulatory Year	2026/27	2027/28	2028/29	2029/30	2030/31
Cadent Gas Limited	XXX	XXX	XXX	XXX	XXX
National Grid Gas Limited	XXX	XXX	XXX	XXX	XXX
Northern Gas Networks Limited	XXX	XXX	XXX	XXX	XXX
Scotland Gas Networks plc	XXX	XXX	XXX	XXX	XXX
Southern Gas Networks plc	XXX	XXX	XXX	XXX	XXX

Wales and West Utilities Limited	XXX	XXX	XXX	XXX	XXX
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Special Condition 6.2 Gas conveyed to Independent Systems (IS_t)

Introduction

- 6.2.1 The purpose of this condition is to calculate the term IS_t (the Independent Systems terms), which feeds into PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 6.2.2 This condition also requires the licensee to recover the costs of connecting Independent Systems from Gas Shippers and then pay those amounts to DN Operators and Relevant Shippers, with any difference between amounts recovered and passed through to consumers.

Part A: Formula for calculating the Independent Systems term (IS_t)

- 6.2.3 The value of IS_t is derived in accordance with the following formula:

- 6.2.4 where:

$$ACPW_t = ACPS_t \times \frac{PI_t^*}{PI_{2023/24}}$$

- BPD_t* is the Bulk Price Differential in nominal prices;
- ACPS_t* is the amount the licensee must pay to Scotland Gas Networks plc under paragraph 6.2.5;
- ACPW_t* is the amount the licensee must pay to Wales & West Utilities Limited under paragraph 6.2.5; and
- PI_t* means the price index term derived in accordance with Part F of Special Condition 2.1

Part B: Requirements relating to the Bulk Price Differential (BPD_t)

- 6.2.5 The licensee must, in respect of each Independent System, pay to the Relevant Shipper the Bulk Price Differential divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with the Relevant Shipper.

Part C: Requirements relating to DN Operators

- 6.2.6 The licensee must pay to Scotland Gas Networks plc the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Scotland Gas Networks plc:

$$ACPS_t = SGNACP_t \times \frac{PI_t^*}{PI_{2018/19}}$$

where:

- SGNACP_t* means the amount in Appendix 1 relating to Scotland Gas Networks plc;
- PI_t^{*}* means the forecast price index term published by the Authority pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the end of Regulatory Year t-1; and
- PI_{2023/24}* means the price index term for the regulatory year 2023/24 derived in accordance with Part F of Special Condition 2.1.

- 6.2.7 The licensee must pay to Wales & West Utilities Limited the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Wales & West Utilities Limited:

$$ACPW_t = WWUACP_t \times \frac{PI_t^*}{PI_{2018/19}}$$

where:

- WWUACP_t* means the amount in Appendix 1 relating to Wales & West Utilities Limited;
- PI_t^{*}* means the forecast price index term published by the Authority pursuant to Part A of Special Condition 8.2 prior to the end of Regulatory Year t-1; and
- PI_{2023/24}* means the price index term for the regulatory year 2023/24 derived in accordance with Part F of Special Condition 2.1.

Part D: Recovery and reporting of costs by the licensee

- 6.2.8 The licensee must use reasonable endeavours to recover an amount equal to IS_t from Gas Shippers in the Regulatory Year in which BPD_t, ACPS_t and ACPW_t are paid.
- 6.2.9 The licensee must by 31 July in each Regulatory Year submit to the Authority a statement that sets out:
- (c) each of the Bulk Price Differential payments made by the licensee to Relevant Shippers in the previous Regulatory Year pursuant to paragraph 6.2.4; and
 - (d) each of the payments made by the licensee to DN Operators in the previous Regulatory Year pursuant to paragraph 6.2.5.
- 6.2.10 The statement sent under paragraph 6.2.7 must be in such form, and provide such detail, as the Authority may direct.

Appendix 2

Additional costs of serving the customers connected to those Independent Systems operated by the relevant DN Operator (£m)

DN Operator / Regulatory Year	2026/27	2027/28	2028/29	2029/30	2030/31
Scotland Gas Networks plc (SGNACP _t)	XXX	XXX	XXX	XXX	XXX
Wales & West Utilities Limited (WWUACP _t)	XXX	XXX	XXX	XXX	XXX

Special Condition 6.3 System operator pass-through items (SOPT_t)

Introduction

- 6.3.1 The purpose of this condition is to calculate the term SOPT_t (the system operator allowed pass-through term). This feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 6.3.2 The effect of this condition is to ensure that the licensee's SO Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the system operator allowed pass-through term (SOPT_t)

- 6.3.3 The SOPT_t term is derived in accordance with the following formula:

$$SOPT_t = CDSP_t + SOEDE_t + ARGSP_t$$

where:

- CDSP_t* means CDSP Costs, excluding costs incurred in relation to UK Link Gemini;
- SOEDE_t* means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS System Operation Activity, as set in the triennial review of Pension Scheme Established Deficit provided for in the GT3 Price Control Financial Handbook; and
- ARGSP_t* means the ISOP's gas revenue provision term and is derived in accordance with Special Condition 6.4.

Special Condition 6.4 ISOP gas costs revenue process

Introduction

- 6.4.1 The purpose of this condition is to establish arrangements for the licensee to provide the amounts as notified by the ISOP for the ISOP's annual gas expenditure each Regulatory Year.

Part A: Calculation of the ARGSP_t term

- 6.4.2 ARGSP_t shall be equal in each Regulatory Year to the amount that is notified by the ISOP in accordance with paragraph F1.15 of condition F1 (Gas revenue calculations and notification process) in the ISOP's Gas System Planner Licence.

Part B: Obligation to pay the ISOP

- 6.4.3 For the Regulatory Year commencing 1 April 2025, the licensee must pay to the ISOP the amount equal to ARGSP_t divided equally into six monthly payments commencing on 1 October 2025.
- 6.4.4 For all Regulatory Years commencing on or after 1 April 2026, the licensee must pay to the ISOP the amount equal to ARGSP_t, divided equally into twelve monthly payments for the relevant Regulatory Year.

Part C: Obligation to notify the ISOP of relevant dates

- 6.4.5 The licensee must issue the ISOP a statement that sets out the latest date by which it requires the ISOP to notify the ARGSP_t amount for the relevant Regulatory Year in order to factor the amount into NTS System Operation Charges for that Regulatory Year.
- 6.4.6 The licensee must issue the ISOP with the statement under paragraph 6.4.5 no later than three months prior to the date set out in that statement.

Chapter 7: Legacy adjustments

Special Condition 7.1 Transportation owner legacy adjustments (LAR_t)

Introduction

- 7.1.1 The purpose of this condition is to calculate the term LAR_t (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: : Formula for calculating total legacy adjustments (LAR_t)

- 7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LADJ_t + LK_t$$

where:

$LADJ_t$	is derived in accordance with Special Condition 7.2 (Transportation owner legacy AIP Adjustment term);
LK_t	is derived in accordance with Special Condition 7.3 (Transportation owner legacy K correction);

Special Condition 7.2 Transportation owner legacy AIP Adjustment term (LADJ_t)

Introduction

- 7.2.1 The purpose of this condition is to set out the process the Authority will follow when directing values for LADJ_t (the transportation owner legacy AIP Adjustment term). This contributes to the calculation of the term LAR_t (the transportation owner legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.2.2 The effect of this condition is to reflect the close out of the GT2 Price Control Financial Model.

Part A: Authority Assessment and direction

- 7.2.3 The value of LADJ_t is derived in accordance with the following formula:

$$LADJ_t = \frac{ADJ_t}{5} \cdot CWACC_t$$

where:

ADJ_t has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook;

$CWACC_t$ means compound WACC and has the value derived in accordance with Part B;

7.2.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part B: Compound WACC

7.2.5 For the Regulatory Year commencing on 1 April 2026, $CWACC_t$ has the value of 1.

7.2.6 For Regulatory Years commencing on or after 1 April 2027, $CWACC_t$ is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2026/27}^{t-1} (1 + \text{nom}WACC_t)$$

where:

$\text{nom}WACC_t$ means the nominal weighted average cost of capital and is defined in Part F of Special Condition 2.1 (Transportation Owner Revenue Restriction).

Special Condition 7.3 Transportation owner Legacy K correction (LK_t)

Introduction

7.3.1 The purpose of this condition is to calculate the term LK_t (the transportation owner legacy correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (the transportation owner legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.3.2 The effect of this condition is to close out the RIIO-GT2 correction term.

Part A: Formula for calculating the transportation owner legacy correction term (LK_t)

7.3.3 The value of LK is derived in accordance with the following formula:

$$LK_t = \frac{K_t}{5} \cdot CWACC_t$$

7.3.4 where:

K_t has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook;

$CWACC_t$ means compound WACC and has the value derived in accordance with Part B of Special Condition 7.2 (Transportation owner legacy AIP adjustment term);

7.3.5 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.4 [Not Used]

Special Condition 7.5 [Not Used]

Special Condition 7.6 [Not Used]

Special Condition 7.7 [Not Used]

Special Condition 7.8 [Not Used]

Special Condition 7.9 Legacy net RAV additions and tax balances

Introduction

7.9.1 The purpose of this condition is to explain the process the Authority will follow when directing opening balances for the legacy net RAV additions and tax pool and tax loss balances.

7.9.2 The effect is to reflect the close out of the GT2 Legacy Price Control Financial Model in respect of legacy net RAV additions and tax pool and tax loss balances.

Part A: The legacy net RAV additions term (LRAV_t)

7.9.3 The Authority will direct the value of LRAV_t in accordance with the General Financial Adjustment Methodology in Chapter 8 of the GT3 Price Control Financial Handbook.

Part B: Carry over of tax balances

- 7.9.4 The Authority will direct the value of the terms OGP_t , $OSRP_t$, $OSBP_t$, $LOSBP_t$, $ODRP_t$, $LODRP_t$ and OTL_t in accordance with the General Financial Adjustment Methodology in Chapter 8 of the GT3 Price Control Financial Handbook.

Part C: What procedure will the Authority follow in making a direction?

- 7.9.5 Before making a direction under this condition the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.10 System operator legacy adjustments ($SOLAR_t$)

- 7.10.1 The purpose of this condition is to calculate the term $SOLAR_t$ (the SO legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

Part A: Formula for calculating the SO legacy adjustments term ($SOLAR_t$)

- 7.10.2 The value of the $SOLAR_t$ term is derived in accordance with the following formula:

$$SOLAR_t = SOLADJ_t + SOLK_t$$

where:

- $SOLADJ_t$ is derived in accordance with Special Condition 7.11 (System operator legacy AIP adjustment term);
- $SOLK_t$ is derived in accordance with Special Condition 7.12 (System operator legacy K correction);

Special Condition 7.11 System operator legacy AIP adjustment term ($SOLADJ_t$)

Introduction

- 7.11.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term $SOLADJ_t$ (the system operator legacy AIP Adjustment term). This contributes to the calculation of the term $SOLAR_t$ (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.11.2 The effect of this condition is to reflect the close out of the GT2 Price Control Financial Model.

Part A: Authority Assessment and direction

7.11.3 The value of $SOLADJ_t$ is derived in accordance with the following formula:

$$SOLADJ_t = \frac{SOADJ_t}{5} \cdot CWACC_t$$

where:

$SOADJ_t$ has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook;

$CWACC_t$ means compound WACC and has the value derived in accordance with Part B of Special Condition 7.1 (Transportation owner legacy AIP adjustment term);

7.11.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.12 System operator legacy K correction ($SOLK_t$)

Introduction

7.12.1 The purpose of this condition is to calculate the term $SOLK_t$ (the system operator legacy correction term). This contributes to the calculation of the term $SOLAR_t$ (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.12.2 The effect of this condition is to close out the RII0-GT1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects correction values relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the system operator legacy correction term ($SOLK_t$)

7.12.3 The value of $SOLK$ is derived in accordance with the following formula:

$$SOLK_t = -SOK_t$$

where:

K_t has the value of SOK_t as determined in accordance with Part F of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

$$SOLK_t = \frac{SOK_t}{5} \cdot CWACC_t$$

where:

SOK_t has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook;

$CWACC_t$ means compound WACC and has the value derived in accordance with Part B of Special Condition 7.1 (Transportation owner legacy AIP adjustment term);

7.12.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.13 System operator legacy net RAV additions and tax balances

Introduction

7.13.1 The purpose of this condition is to explain the process the Authority will follow when directing opening balances for the SO legacy net RAV additions and tax pool and tax loss balances.

7.13.2 The effect is to reflect the close out of the RIIO-GT2 Price Control Financial Model in respect of SO legacy net RAV additions and tax pool and loss balances.

Part E: The SO legacy net RAV additions term ($SOLRAV_t$)

7.13.3 The Authority will direct revisions to $SOLRAV_t$, in accordance with the General Financial Adjustment Methodology in Chapter 8 of the GT2 Price Control Financial Handbook.

Part F: Carry over of tax balances

7.13.4 The Authority will direct the value of the terms $SOLOGP_t$, $SOLOS RP_t$, $SOLOS BP_t$, $SOLODRP_t$, $SOLLODRP_t$ and $SOLOTL_t$ in accordance with the General Financial Adjustment Methodology in Chapter 8 of the GT2 Price Control Financial Handbook.

Part G: What procedure will the Authority follow in making a direction?

7.13.5 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Chapter 8: Governance

Special Condition 8.1 Governance of the GT2 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the GT3 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the GT3 Price Control Financial Instruments:

Part A: The GT3 Price Control Financial Instruments

8.1.2 Each of the following GT3 Price Control Financial Instruments forms part of this condition:

- (a) the GT3 Price Control Financial Handbook; and
- (b) the GT3 Price Control Financial Model.

Part B: Modification of the GT3 Price Control Financial Instruments

8.1.3 The Authority may by direction make modifications to the GT3 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- (a) it becomes aware of a modification that will improve the functionality or clarity of the GT3 Price Control Financial Instruments; and
- (b) the modification will have no impact on the licensee's Allowed Revenue or SO Allowed Revenue.

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue or SO Allowed Revenue. This is without prejudice to the licensee's right to make representations to the Authority that a particular modification will have an impact on the licensee's Allowed Revenue or SO Allowed Revenue.

8.1.5 The following categories of modification may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;

- (d) consequential changes required to reflect modifications made to the special conditions such as the addition or removal of PCFM Variable Values; and
 - (e) correction of manifest errors; such as discrepancies between the GT3 Price Control Financial Instruments and between the GT3 Price Control Financial Instruments and the other special conditions.
- 8.1.6 The following do not constitute a modification of the GT3 Price Control Financial Model:
- (a) entering a PCFM Variable Value into the GT3 Price Control Financial Model;
 - (b) changing the filename of the spreadsheet containing the GT3 Price Control Financial Model; and
 - (c) changing the publication date on the Cover sheet of the GT3 Price Control Financial Model.

Part C: Procedure for making a direction

- 8.1.7 Before making a direction under paragraph 8.1.3, the Authority will:
- (a) consider representations made by the GT3 Price Control Financial Model Working Group in relation to modifications of the type set out in paragraph 8.1.5(a) to (e); and
 - (b) publish on the Authority's Website:
 - i. the text of the proposed direction;
 - ii. the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5; and
 - iii. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 8.1.8 A direction under paragraph 8.1.3 will set out:
- (a) the modifications to the GT3 Price Control Finance Instruments; and
 - (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part D: Availability and updating of GT3 Price Control Financial Instruments

- 8.1.9 The Authority will maintain on the Authority's Website an up to date copy of the GT3 Price Control Financial Instruments throughout the Price Control Period.
- 8.1.10 The Authority will ensure that any modifications of the GT3 Price Control Financial Instruments, whether under this condition or otherwise, are promptly incorporated into a consolidated version maintained on the Authority's Website.
- 8.1.11 The Authority will publish on the Authority's Website a consolidated version of the GT3 Price Control Financial Model containing the updated value of ART for

all Transportation Services Providers following the licensee's annual publication of the GT3 Price Control Financial Model under paragraph 2.1.7 of Special Condition 2.1 (Transportation owner revenue restriction) and under 2.3.7 of Special Condition 2.3 (System operator revenue restriction).

Chapter 9: General obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process the Authority will follow in issuing and amending Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.
- 9.1.7 The Annual Environmental Report must consist of two sections as per the Environmental Reporting Guidance: a quantitative KPI document and a predominantly qualitative commentary document.

Part B: The licensee must submit all the data presented in the Annual Environmental Report to the Authority in a format prescribed in the Environmental Reporting Guidance. The submission date should align with the publication of the Annual Environmental Report, Environmental Reporting Guidance

- 9.1.8 The Authority will issue and amend Environmental Reporting Guidance by direction.
- 9.1.9 The Authority will publish Environmental Reporting Guidance on the Authority's Website.
- 9.1.10 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
 - (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;

- (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and
 - (c) the format for submitting information to the Authority as required under paragraph 9.1.5; and
 - (d) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.
- 9.1.11 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.
- 9.1.12 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months from the date of publication or by 1 August of the subsequent Regulatory Year, whichever is later;
 - (c) the reasons for the amendments to the Environmental Reporting Guidance;
 - (d) how the proposed reporting requirements provide an appropriate balance on costs of reporting and benefit of information created; and
 - (e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

- 9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.
- 9.2.2 It also sets out the process for modifying the NARM Methodology.

Part A: Requirement to have a NARM Methodology

- 9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.

9.2.4 The NARM Methodology in effect on 31 March 2026 is deemed to be the NARM Methodology in effect from 1 April 2026 until superseded.

Part B: The NARM Objectives

9.2.5 The NARM Objectives are:

- (a) to provide transparent, logical links between:
 - i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
 - ii. the data that the licensee inputs into its Asset Management Systems;
 - iii. the licensee's asset management decisions; and
 - iv. where relevant, the licensee's whole system investment decisions;
- (b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;
- (c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
 - i. each NARM Asset Category;
 - ii. individual NARM Assets within each NARM Asset Category; and
 - iii. the NTS;
- (d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- (e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
 - i. the licensee's investment plans for managing and renewing its NARM Assets; and
 - ii. the licensee's outturn delivery of investment options;
- (f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (g) to enable the comparative analysis of Monetised Risk between:
 - i. different NARM Asset Categories and between individual NARM Assets on the NTS;
 - ii. geographic areas of, and NARM Assets within, the NTS;
 - iii. the NTS and other networks within the same sector;
 - iv. the NTS and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
 - v. the NTS and Distribution Networks within Great Britain; and
 - vi. to enable the communication to the Authority and other interested parties of relevant information about the NTS in an accessible and transparent manner.

Part C: Modifications of the NARM Methodology that have a material impact on the Baseline Network Risk Output

- 9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
- 9.2.7 Where the licensee has identified scope for modifications that would better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.8 Where the licensee proposes a modification to the NARM Methodology under this Part, it must:
- (d) consult with other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification; and
 - (e) submit to the Authority a report containing:
 - i. a statement explaining the proposed modification to the NARM Methodology; and
 - ii. an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
 - iii. submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
 - iv. submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
 - v. submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) and not withdrawn;
 - vi. submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
 - vii. submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
 - viii. submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
 - ix. submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.

- 9.2.9 The Authority will by direction:
- (f) approve the proposed modification;
 - (g) approve the proposed modification with amendments; or
 - (h) reject the proposed modification.
- 9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).
- 9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.
- 9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:
- (i) the text of the proposed direction;
 - (j) the date on which the Authority intends the proposed direction to come into effect;
 - (k) the reasons why it proposes to issue the direction; and
 - (l) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part D: Modifications of the NARM Methodology that do not have a material impact on the Baseline Network Risk Output

- 9.2.13 The licensee may propose modifications under this Part of the type set out in paragraph 9.2.15 where:
- (a) the modification would improve the clarity of the NARM Methodology;
 - (b) the modification will have no material impact on the licensee's :
 - (i) Baseline Network Risk Output; or
 - (ii) delivery against its Baseline Network Risk Output.
- 9.2.14 The following categories of modifications may be proposed under this Part:
- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming, or re-ordering of sections or appendices;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions such as the addition, removal or modification of defined terms; and
 - (e) corrections of manifest errors.

- 9.2.15 Where the licensee proposes a modification under this Part, it must send to the Authority a statement that sets out:
- (a) the proposed modification to the NARM Methodology;
 - (b) how, in the licensee's opinion, the proposed modification, if made, would improve the clarity of the NARM Methodology; and
 - (c) the materiality of the proposed modification on the licensee's Baseline Network Risk Output.
- 9.2.16 The Authority must by direction:
- (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments;
 - (c) reject the proposed modification; or
 - (d) reject the proposed modification and direct the licensee to make a further submission under this Part or Part C.
- 9.2.17 A direction under paragraph 9.2.16 will likely be insufficiently significant to warrant publication or formal consultation, but the Authority will consider this on a case-by-case basis.

Special Condition 9.3 Process to establish the Gas Transmission NARM Methodology and associated systems and documents, Information Gathering Plan and Engineering Guidance Document

Introduction

- 9.3.1 The purpose of this condition is to set out the requirements on the licensee in respect of the development and establishment of:
- (a) Information Gathering Plans; and
 - (b) Engineering Guidance Document
 - (c) measures to align NARM methodologies, where appropriate, with Gas Distribution Operators, to support consistency, efficiency, and the adoption of best practices across the sector.

Part A: Development of the Gas Transmission Network Methodology, and associate systems and documents

[Not used]

Part B: Development of Information Gathering Plan (IGPs)

- 9.3.2 The licensee must provide the Authority with a plan (the "Information Gathering Plan") that sets out how the licensee gathers and records information required in respect of its own NARM Methodology by 1 April 2026.
- 9.3.3 The Information Gathering Plan must include the scope and form of the data that the licensee collects, and the frequency with which data is collected, such

that the licensee is able to report on progress against its NARM Methodology, in accordance with the RIGs

9.3.4 The licensee must provide the Authority with an Information Gathering Plan on 1 April 2028. The Information Gathering Plan must:

- (a) set out how the licensee will gather and record the information required for implementation of its NARM Methodology; and
- (b) include the scope and form of the data collection and the frequency with which data will be collected to enable use for the reporting of its NARM Methodology and align to the development works set out in Part A and Part C.

9.3.5 The Authority, after reviewing the Information Gathering Plan submitted to it under paragraph 9.3.4 and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:

- (a) approve the plan without modification if satisfied that it will enable the licensee to report accurately on its progress against the licensee's NARM Methodology; or
- (b) direct the licensee to modify the Information Gathering Plan, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority's opinion, having considered any representations received, enable the licensee to so report.

9.3.6 The licensee must:

- (a) keep the Information Gathering Plan under review and in particular must conduct a review when directed to do so by the Authority, and
- (b) modify the Information Gathering Plan, where necessary to ensure that it complies with the requirements of Part A and Part C.

Part C: Engineering Guidance Document

9.3.7 The licensee must produce an Engineering Guidance Document, and where appropriate work in co-operation with GDN Operators, on data input to its NARM Methodology and the equivalent Gas Distribution Common Methodology by 1 April 2028.

9.3.8 To achieve consistency in the subjective elements of asset condition measurement across the Gas Transmission Network and Gas Distribution Networks, the Engineering Guidance Document must establish a common approach for:

- (a) describing asset condition points for all asset classes in the Gas Transmission Methodology; and
- (b) describing asset condition points for common assets in where appropriate the equivalent Gas Distribution Networks Common Methodology

- 9.3.9 The Authority, after reviewing the Engineering Guidance Document submitted to it under paragraph 9.3.8 and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult may:
- (a) approve the Engineering Guidance Document without modification if satisfied that it will enable the licensee to report accurately on its progress against the NARM Methodology; or
 - (b) direct the licensees to modify the Engineering Guidance Document, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority's opinion, having considered any representations received, enable the licensee to so report.

Special Condition 9.4 Price Control Deliverable assessment and reporting requirements

Introduction

- 9.4.1 The purpose of this condition is to set out the assessment principles the Authority will apply in deciding whether to make a direction where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction.
- 9.4.2 This condition requires the licensee to report to the Authority on the delivery of its Evaluative PCDs and provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

Part A: Evaluative PCD assessment principles

- 9.4.3 In deciding whether to make a direction in accordance with paragraph 9.4.1 and in deciding the contents of such a direction, the Authority will apply the following assessment principles:
- (a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances is attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance except as provided for by paragraph 9.4.3 (b);
 - (b) where an output is Fully Delivered With An Alternative Specification and;
 - (c) the licensee demonstrates that any overspend against the associated allowances was efficiently incurred; and
the licensee provides a justified estimate of the proportion of increased Consumer Outcome associated with the work delivered, the Authority may direct an upwards adjustment to the associated allowance. The Authority may direct an adjustment of any value between 0 and the Authority's view of efficiently incurred overspend;
 - (d) where an output is Not Delivered, the Authority may direct a reduction to the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the

output, where the licensee demonstrates that such costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;

- (e) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;
- (f) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and:
 - i. the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation; and
 - ii. the licensee provides a justified estimate of the proportion of the output or Consumer Outcome associated with the work delivered, the Authority may direct a downwards adjustment to the associated allowances only in accordance with the following formula:

$$\text{Adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

- iii. where none of the circumstances described in sub-paragraphs (a) to (e) apply, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:
- iv. have due regard to the particular characteristics of the output;
- v. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to Fully Deliver the output; and
- vi. establish efficient costs using the following methods:
 - (AA) where these are available, using benchmarking against historical cost data; or
 - (BB) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;
 - (CC) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and
 - (DD) the split between fast money and the RAV for any adjustments will be as set out in the GT3 Price Control Financial Model.

Part B: Reporting requirement

- 9.4.4 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.

- 9.4.5 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.4.6 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report demonstrates that the output has been Fully Delivered.
- 9.4.7 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.4.8 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Part A in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

Part C: PCD Reporting Requirements and Methodology Document

- 9.4.9 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part B.
- 9.4.10 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.4.11 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.4.12 The PCD Reporting Requirements and Methodology Document will set out:
 - (a) how the licensee must prepare the reports required by Part B; and
 - (b) further guidance about, and worked examples of, the methodology the Authority will use when deciding:
 - i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - ii. the value to direct.
- 9.4.13 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
 - (c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.
- 9.4.14 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended PCD Reporting Requirements and Methodology Document;
- (b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
- (c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
- (d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

Special Condition 9.5 Re-opener Guidance and Application Requirements Document

Introduction

- 9.5.1 This purpose of this condition is to require the licensee to prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.5.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.5.3 The licensee must prepare any applications for Re-openers in accordance with the applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Part B: Re-opener Guidance and Application Requirements Document

- 9.5.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
- 9.5.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
- 9.5.6 The Re-opener Guidance and Application Requirements Document may:
 - (a) provide guidance on the process to be followed by the licensee and the Authority in relation to:
 - i. establishing a Re-opener application pipeline log for prospective applications;
 - ii. pre-application engagement between the licensee and the Authority;
 - iii. pre-acceptance screening of applications;
 - iv. a process for supplementary questions;
 - v. a proportionate approach to using assessment tiers with differing levels of scrutiny for individual applications; and

- (b) how the Authority would instigate a Re-opener; and
 - (c) set out how the licensee must prepare its applications for Re-openers, including the following:
 - i. the Re-openers to which the document applies;
 - ii. the level of detail required in the application;
 - iii. any requirement to publish the application; and
 - iv. when it is appropriate to make redactions in published applications.
- 9.5.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.
- 9.5.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
 - (d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

Special Condition 9.6 Digitalisation

Introduction

- 9.6.1 The purpose of this condition is to set out the licensee's obligations to:
 - (a) have a Digitalisation Strategy;
 - (b) have a Digitalisation Action Plan;
 - (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
 - (d) comply with the DSAP Guidance; and
 - (e) comply with Data Best Practice Guidance.
- 9.6.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

- 9.6.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.
- 9.6.4 The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at intervals specified in the DSAP Guidance.
- 9.6.5 The licensee must:
- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

- 9.6.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.
- 9.6.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at least at intervals specified in the DSAP Guidance.
- 9.6.8 The licensee must:
- (a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance.

- 9.6.9 The licensee must comply with the DSAP Guidance when:
- (a) preparing and updating its Digitalisation Strategy; and
 - (b) preparing and updating its Digitalisation Action Plan.
- 9.6.10 The Authority will issue and amend the DSAP Guidance by direction.
- 9.6.11 The Authority will publish the DSAP Guidance on the Authority's Website.
- 9.6.12 The DSAP Guidance will make provision about:
- (a) how the licensee should work towards digitalisation;
 - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to

generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;

- (c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
 - i. the structure, content and level of detail of each;
 - ii. the types of activities that should be covered in each; and
 - iii. any required information associated with those activities; and
 - iv. the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

- 9.6.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.6.14 The Authority will issue and amend Data Best Practice Guidance by direction.
- 9.6.15 The Authority will publish Data Best Practice Guidance on the Authority's website.
- 9.6.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

- 9.6.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed guidance;
 - (b) the date on which the Authority intends the guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.
- 9.6.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended guidance;
 - (b) the date on which the Authority intends the amended guidance to come into effect;
 - (c) the reasons for the amendments to the guidance; and
 - (d) a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

Special Condition 9.7 Disapplication of Relevant Special Conditions

Introduction

- 9.7.1 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 Condition (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

- 9.7.2 The licensee may submit a Disapplication Request in writing to the Authority.
- 9.7.3 A Disapplication Request must:
- (a) specify to which of the Relevant TO Special Conditions or Relevant SO Special Condition (or any part or parts of them) the request relates;
 - (b) provide a full statement of the licensee's reasons for making the request;
 - (c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request;
 - (d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B); and
 - (e) specify the Distribution Network (or any part or parts of it) to which the request relates.
- 9.7.4 A Disapplication Request may be submitted only in respect of a specified geographical area.
- 9.7.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:
- (a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis.
- 9.7.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

- 9.7.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.
- 9.7.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.6.7, the

Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee's right to terminate under a Disapplication Request

9.7.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

- (a) in the circumstances described in Part D; or
- (b) in the circumstances described in Part E.

9.7.10 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 to under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

9.7.11 The circumstances referred to in paragraph 9.6.9(a) are that by the beginning of the period of six months ending with 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 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 in respect of the relevant Disapplication Request.

Part E: Termination without involvement of the Competition and Markets Authority

9.7.12 The circumstances referred to in paragraph 9.6.9(b) are that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:

- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 23B of the Act;
- (b) the Competition and Markets Authority, acting under section 23E 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) or s23E(3)(b) of the Act nor substituted its own decision for that of the Authority's under section 23E(2)(c) of the Act; and
 - iii. no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

Special Condition 9.8 Directly Remunerated Services

Introduction

- 9.8.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions of this licence.
- 9.8.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue and SO Allowed Revenue.
- 9.8.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.8.4 The licensee must exclude revenue derived from Directly Remunerated Services from TO Recovered Revenue and SO Recovered Revenue.
- 9.8.5 Directly Remunerated Services are:
 - (a) services that comply with the general principle set out in Part B; or
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.
- 9.8.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

- 9.8.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.8.8 The charges referred to in paragraph 9.7.7 are:
 - (a) NTS Transportation Owner Charges, under the provisions of Special Condition 2.1 (Transportation owner revenue restriction);
 - (b) NTS System Operation Charges, under the provisions of Special Condition 2.3 (System operator revenue restriction); and
 - (c) charges arising from any activity carried out under the provisions of Special Condition 7.7 (RIIO-GT1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Services

9.8.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.

9.8.10 Directly Remunerated Services include the following services:

DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes or plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the Transportation System to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9 (Powers and duties of gas transporters) of the Act (for avoidance of doubt Pipeline Diversion Costs are not a Directly Remunerated Service).

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transportation System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transportation System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

DRS5. Outage changes: (Not applicable to Gas Transmission).

DRS6. Emergency services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) of this licence.

DRS7. PARCA activities: This category consists of the works relating to the initial investigations and assessment of technical options for the provision of Entry Capacity or Exit Capacity carried out by the licensee prior to entering into a PARCA, which may lead to the provision of a Phase 1 PARCA Works Report to the PARCA Applicant, or in the case of the provision of Entry Capacity or Exit Capacity at a point described in the Appendices to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, which may lead to the provision of a joint notice published under "European Interconnection Document Section E" of the Uniform Network Code.

DRS8. Independent System Operation: (Not applicable).

- DRS9. Network Innovation Funding: (Not applicable).
- DRS10. Value added services: (Not applicable).
- DRS11. Top-up, standby, and enhanced system security: (Not applicable).
- DRS12. Revenue protection services: (Not applicable).
- DRS13. Metering services: (Not applicable).
- DRS14. Smart meter roll-out rechargeable services: (Not applicable).
- DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:
- (a) is for the specific benefit of any third party who requests it; and
 - (b) is not made available by the licensee as a normal part of its NTS Transportation Owner Activity or NTS System Operation Activity.

Part D: Procedure for issuing directions

- 9.8.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.
- 9.8.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.
- 9.8.13 Before issuing a direction under Part A, the Authority will publish on the Authority's website:
- (a) The text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.9 Tax Reconciliation assurance statement

Introduction

- 9.9.1 This condition requires the licensee to submit to the Authority an annual Tax Reconciliation assurance statement and sets out the form of that statement.

Part A: Assurance Statement

- 9.9.2 The licensee must by 30 September of each Regulatory Year submit to the Authority a Tax Reconciliation assurance statement relating to Regulatory Year t-2 that:
- (a) has been approved by resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to the resolution in subparagraph (a); and
 - (c) is set out in the form prescribed in paragraph 9.9.3 or, where paragraph 9.9.4 applies, in the form prescribed in paragraph 9.9.5.

9.9.3 Where this paragraph applies, the prescribed form for the Tax Reconciliation assurance statement is as follows:

"In accordance with the requirements of paragraph 9.9.2 of Special Condition 9.9 (Tax Reconciliation assurance statement), the directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2]:

- (a) In their opinion, the values reported in the Tax Reconciliation have not resulted in a material, unexplained variance in the reconciliation of the licensee's Actual Corporation Tax Liability (as shown in the licensee's Company Tax Return (CT600)) to the calculated Tax Allowance;
- (b) the Tax Reconciliation has been submitted to the Authority along with a copy of the following documents:
 - i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs for the Regulatory Year [Regulatory Year t-2];
 - ii. the licensee's most recently submitted Senior Accounting Officer certificate (SAO2), which covers the same accounting period as 9.9.3 (b) (i);
 - iii. the licensee's published Tax Strategy which covers the same accounting period as covers the same accounting period as 9.9.3 (b) (i); and
 - iv. Any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 Finance Act 2022 which cover the same accounting period as 9.9.3 (b) (i).
- (c) where appropriate, further information has been provided to support and explain reconciling items in accordance with the [RIIO-3] Regulatory Financial Performance Reporting RIGS;
- (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- (e) reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial, in aggregate."

9.9.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the GT3 Price Control Financial Handbook, the prescribed form for the Tax Reconciliation assurance statement is set out in paragraph 9.9.5.

9.9.5 Where this paragraph applies, the prescribed form of the Tax Reconciliation assurance statement is as follows:

- (a) "In accordance with the requirements of paragraph 9.9.2 of Special Condition 9.9 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2].
- (b) In their opinion, the values reported in the Tax Reconciliation have resulted in a material, unexplained variance in the reconciliation of the

- licensee's Actual Corporation Tax Liability as shown in the Company Tax Return (CT600) to the Calculated Tax Allowance;
- (c) the Tax Reconciliation has been submitted to the Authority along with a copy of the following documents:
 - i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs for the Regulatory Year [Regulatory Year t-2];
 - ii. the licensee's most recently submitted Senior Accounting Officer certificate (SAO2), which covers the same accounting period as 9.9.5 (c)(i);
 - iii. the licensee's published Tax Strategy which covers the same accounting period as 9.9.5(c)(i);and
 - iv. Any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 Finance Act 2022 which cover the same accounting period as 9.9.5 (c) (i).
 - (d) where appropriate, further information has been provided to support and explain reconciling items in accordance with the [RIIO-3 Regulatory Financial Performance Reporting RIGs];
 - (e) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary, however there remain unexplained differences, which are considered material; and
 - (f) a notification has been given in writing to the Authority under Chapter 6 of the GT3 Price Control Financial Handbook."

Special Condition 9.10 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity

Introduction

- 9.10.1 This condition sets out how the licensee must allocate revenues and costs for the purposes of calculating its Allowed Revenue and SO Allowed Revenue in accordance with the Special Conditions in Chapter 2 (Revenue restriction).
- 9.10.2 This condition also requires the licensee to:
 - (a) have in place a methods statement that sets out the methods that the licensee will use in the allocation and attribution of revenues and costs; and
 - (b) prepare and send to the Authority a methods report, which describes the manner in which, and the extent to which, the licensee has complied with the provisions of the methods statement.

Part A: General principles of allocation and attribution

- 9.10.3 Unless the Authority otherwise directs, any allocation or attribution of revenues, costs, assets, and liabilities performed by the licensee in order to calculate any of the values referred to in the Special Conditions contained

within Chapter 2 must conform to the principles set out in paragraphs 9.9.4, 9.9.5, and 9.9.6.

- 9.10.4 Principle 1 is that the licensee must, so far as is reasonably practicable, allocate or attribute revenues, costs, assets, and liabilities in accordance with the activities which cause the revenues to be earned, the costs to be incurred, the assets to be acquired, or the liabilities to be incurred.
- 9.10.5 Principle 2 is that the licensee must perform its allocations and attributions on an objective basis and in a manner calculated not to unduly benefit itself or any other licensee or entity, affiliated or otherwise.
- 9.10.6 Principle 3 is that, so far as reasonably practicable, the licensee must perform all allocations and attributions on a consistent basis from one Regulatory Year to the next.

Part B: Allocation and attribution as between principal activities

- 9.10.7 To the extent relevant to its activities, the licensee must in so far as is reasonably practicable allocate or attribute all revenues earned and costs incurred by the Transportation Business to the following activities:
 - (a) the NTS Transportation Owner Activity;
 - (b) the NTS System Operation Activity; and
 - (c) any Directly Remunerated Services.

Part C: Statement of the methods to be used by the licensee

- 9.10.8 Unless the Authority otherwise directs, the licensee must, by no later than 31 July in each Regulatory Year, prepare and send to the Authority a statement in a form approved by the Authority that sets out the methods that the licensee intends to use in the allocation and attribution of revenues and costs.
- 9.10.9 The methods statement must, as a minimum, clearly distinguish between the allocation or attribution of revenues, costs, assets, and liabilities to each of the activities specified in Part B.
- 9.10.10 Where the basis of such allocations or attributions has changed from one Regulatory Year to the next, the methods statement must also indicate and explain how and why that basis has been changed.
- 9.10.11 The licensee must use reasonable endeavours to comply with the methods statement for the time being in force under this condition.

Part D: Direction to re-allocate and re-attribute

- 9.10.12 The licensee must re-allocate revenues earned by the licensee or re-attribute costs incurred by the licensee to the activities specified in Part B in accordance with any direction made by the Authority following receipt of the methods statement, so that the licensee's allocations and attributions comply with the principles set out in Part A.

Part E: Preparation and submission of the methods report

- 9.10.13 Unless the Authority otherwise consents, the licensee must, before the end of the period of 4 months beginning with the end of each Regulatory Year, prepare and send to the Authority a methods report that:
- (a) describes the manner in which, and the extent to which, the licensee complied with the provisions of the methods statement and any direction made by the Authority under Part D in respect of that year; and
 - (b) states whether any modification should be made to the methods statement to reflect more closely the practice of the licensee.
- 9.10.14 The methods report must be accompanied by a report from an Appropriate Auditor that:
- (a) sets out the procedures (which must have been approved by the Authority) that the Appropriate Auditor has carried out for the purposes of demonstrating the extent to which the licensee has properly prepared the methods report in accordance with the methods statement and any direction made under Part D; and
 - (b) gives an opinion as to the extent to which the licensee has properly prepared the methods report.
- 9.10.15 To the extent that the licensee earns revenues or incurs costs in the undertaking of De Minimis Business under Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), the licensee must report on those revenues and costs in

Special Condition 9.11 Licensee's network planning

Introduction

- 9.11.1 The purpose of this condition is to set out the licensee's obligations in relation to its network development planning.
- 9.11.2 This condition includes obligations on the licensee to produce a Long Term Development Statement and a Strategic Planning Options Proposal.

Part A: Long Term Development Statement

- 9.11.3 The licensee must prepare a Long Term Development Statement in each Regulatory Year.
- 9.11.4 The Long Term Development Statement must include, so far as is reasonably practicable, forecasts of:
- (a) the likely use of the pipeline system to which this licence relates and any other pipeline system specified by the Authority by direction;
 - (b) the likely development of the system, facilities and other pipeline systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to the

pipeline system to which this licence relates and in pursuance of Transportation Arrangements;

- (c) where such information is capable of being applied for the purpose of identifying and evaluating opportunities to:
 - i. connect a pipeline to the pipeline system to which this licence relates, or to another Gas Transporter Licensee's pipeline system;
 - ii. enter into transportation arrangements with the licensee; or
 - iii. connect to the pipeline system to which this licence relates, or another Gas Transporter Licensee's pipeline system, premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year.

9.11.5 The licensee must also include in its Long Term Development Statement where possible:

- (a) details of the options and changes to assets that have been progressed through the Gas Options Advice Document , in accordance with condition C8 (Gas strategic network planning) of the ISOP's Gas System Planner Licence, and been approved by the Authority under the price control; and
- (b) any further information in response to the information provided by the ISOP in the Gas Network Capability Needs Report and/or the Gas Options Advice Document that is appropriate to include

9.11.6 The licensee must, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 9.10.8:

- (a) send to the Authority a copy of the Long Term Development Statement by 31st December in each Regulatory Year;
- (b) publish, in such form and manner as the Authority may direct, a summary of each Long Term Development Statement; and
- (c) send a copy of the version prepared in accordance with paragraph 9.10.6(b) to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require, not exceeding such amount as the Authority may from time to time approve.

9.11.7 In complying with the requirements of paragraph 9.10.6(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

9.11.8 Any question arising under paragraph 9.10.7 as to whether the publication of some matter which relates to the affairs of a person would, or would have the potential to, seriously and prejudicially affect their interests is to be determined by the Authority.

Part B: Strategic Planning Options Proposal

- 9.11.9 The licensee must prepare a Strategic Planning Options Proposal that sets out the licensee's response to the most recent Gas Network Capability Needs Report produced by the ISOP.
- 9.11.10 The licensee must, unless the Authority otherwise directs, provide its Strategic Planning Options Proposal to the ISOP and the Authority by [30 June 2027], and by 30 June in every 2 subsequent Regulatory Years.
- 9.11.11 The licensee must, in its Strategic Planning Options Proposal:
- (a) have regard to the information produced by the ISOP pursuant to paragraph C8.7 of condition C8 (Gas strategic network planning) in the ISOP's Gas System Planner Licence; and
 - (b) set out any material differences between licensee's views and the information produced by the ISOP pursuant to paragraph C8.7 of condition C8 in the ISOP's Gas System Planner Licence, providing an explanation of the difference(s) and the licensee's view on any associated implications.
- 9.11.12 The licensee's Strategic Planning Options Proposal prepared in accordance with paragraph 9.10.10 must include:
- (a) the licensee's best view of any options in response to the system needs that are set out in the Gas Network Capability Needs Report, and that may involve construction, expansion, reinforcement, repurposing, replacement or decommissioning;
 - (b) an explanation of how the licensee has had regard and responded to the contents of the most recent Gas Network Capability Needs Report (in accordance with paragraphs 9.10.10) including the information produced by the ISOP pursuant to paragraph C8.7 of condition C8 in the ISOP's Gas System Planner Licence;
 - (c) the licensee's best possible estimate of the cost, cost breakdown and deliverability of options under paragraph 9.10.12(a);
 - (d) relevant technical criteria and physical specifications relating to each of the options under 9.10.12(a), including the licensee's view of the impact on network capability; and
 - (e) any other data or information that the licensee considers is appropriate to include to support the ISOP to perform its functions related to the matters in section 161(3)(d) of the Energy Act 2023.
- 9.11.13 The licensee must identify to the ISOP any information provided in the Strategic Planning Options Proposal that may seriously and prejudicially affect the commercial interests of the owner of that information (or any third parties that provided that information to the owner of that information).

Part C: Collaboration and consultation with stakeholders, including the ISOP

- 9.11.14 In fulfilling its obligations related to long-term network planning, including but not limited to this condition, the licensee must:
- 9.11.15 Provide such information to the ISOP as it reasonably requires and the Licensee can reasonably provide in order to aid the ISOP's understanding of the work referred to in Part B of this condition; and
- 9.11.16 Collaborate with such stakeholders (including but not limited to the ISOP), as the Licensee considers necessary to meet 9.10.14(a).
- 9.11.17 Proactively and from time to time request feedback from its stakeholders (including but not limited to the ISOP) on how it could improve its engagement.
- 9.11.18 If requested by the Authority, the licensee must provide the Authority with a summary of stakeholder feedback over the previous Regulatory Year and, where the licensee has considered it appropriate, how and where it has reflected this feedback in its processes and/or publications.

Part D: Derogations

- 9.11.19 The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under Part B of this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Special Condition 9.12 Transmission Planning Code

Introduction

- 9.12.1 The purpose of this condition is to set out the licensee's obligations in relation to the Transmission Planning Code.

Part A: Part A: Transmission Planning Code obligation

- 9.12.2 The licensee must have in place, implement and comply with the provisions of a Transmission Planning Code approved by the Authority.

Part B: Part B: Transmission Planning Code requirements

- 9.12.3 The Transmission Planning Code must satisfy the requirements in this Part.
- 9.12.4 The first requirement is that the Transmission Planning Code must cover all material technical aspects relating to the planning and development of the pipeline system to which this licence relates that may have a material impact on persons connected to or using (or intending to connect to or use) that pipeline system.
- 9.12.5 The second requirement is that the Transmission Planning Code must include a methodology for determining the physical capability of the pipeline system to

which this licence relates that specifies in detail how the licensee takes into account:

- (a) its Entry Capacity release obligations pursuant to Special Condition 3.12 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and its Exit Capacity release obligations pursuant to Special Condition 9.14 (Capacity Requests, Baseline Capacity and Capacity Substitution);
- (b) the amount of capacity that may technically be transferred or traded between NTS Entry Points;
- (c) the impact of incremental gas flows on the capability of the pipeline system to which this licence relates at each NTS Entry Point and each NTS Exit Point; and
- (d) the Statutory Network Security Standard.

9.12.6 The third requirement is that the Transmission Planning Code must include the detailed planning assumptions that the licensee uses in respect of:

- (a) the likely developments it expects in the patterns of the supply of gas to, and the demand for gas from, the pipeline system to which the licence relates;
- (b) the likely developments it expects in the levels of the supply of gas through and the demand for gas from that pipeline system; and
- (c) the likely operation of the pipeline system to which the licence relates for any given pattern or level of supply of gas or demand for gas.

Part C: Review and revision of the Transmission Planning Code

9.12.7 The licensee must review the Transmission Planning Code to ensure it continues to meet the requirements in Part B if requested by the Authority, and in any event not less than once in every two Regulatory Years.

9.12.8 The licensee must when carrying out the review required by paragraph 9.12.7 consult with the ISOP, and any interested parties likely to be materially affected by the review.

9.12.9 Before revising the Transmission Planning Code, and during the period of 28 days beginning with the date on which a review is completed, the licensee must send to the Authority:

- (a) a report on the outcome of the review;
- (b) a statement of any proposed revisions to the Transmission Planning Code that the licensee having regard to the outcome of the review reasonably considers would lead to the Transmission Planning Code better fulfilling the requirements set out in Part B above; and
- (c) any written representations as received from interested parties, including any proposals for revising the Transmission Planning Code that have not been accepted by the licensee, that were received from

interested parties during the consultation process and have not been withdrawn.

9.12.10 The Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part D: Part D: Derogations

9.12.11 The licensee may apply to the Authority for derogation relieving the licensee of its obligations to implement or comply with the provisions of the Transmission Planning Code in respect of such parts of the pipeline system to which this licence relates as may be specified by the Authority by direction.

Special Condition 9.13 Licensee's Network Model

Introduction

9.13.1 The purpose of this condition is to set out the licensee's obligations in relation to the licensee's Network Model.

Part A: Network Model obligations

9.13.2 The licensee must have in place a Network Model approved by the Authority.

9.13.3 The licensee must, if requested by the Authority, use reasonable endeavours to provide reasonable access, including remote access so far as necessary and reasonably practicable, to the Network Model that enables the Authority to operate the Network Model.

Part A: Network Model requirements

9.13.4 The Network Model must satisfy the requirements in this Part.

9.13.5 The first requirement is that the Network Model must facilitate the licensee's compliance with its duty under section 9(1)(a) of the Act.

9.13.6 The second requirement is that the Network Model must be consistent with the Transmission Planning Code.

9.13.7 The third requirement is that the Network Model must be designed so as to demonstrate its consistency with the first and second requirements.

Part B: Review and revision of the Network Model

9.13.8 The licensee must, if requested by the Authority, review the Network Model to ensure that it continues to meet the requirements in Part B.

9.13.9 Before revising the Network Model and during the period of 28 days beginning with the date of completion of any review, the licensee must send to the Authority a report that sets out:

- (a) the outcome of the review including supporting reasoning and analysis;
- (b) how any proposed revisions to the Network Model would better achieve the requirements in Part B; and
- (c) the date on which the licensee plans to implement any proposed revisions to the Network Model.

9.13.10 The Authority will:

- (m) approve the revisions proposed by the licensee;
- (n) approve the revisions proposed by the licensee and require the appointment of an independent expert to review the implementation of the revisions;
- (o) reject the proposed revisions; or
- (p) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.13.11 Where the Authority requires a review by an independent expert under paragraph 9.13.10(b), the licensee must, within the period of two months beginning with the date on which implementation of the revisions is completed, provide a copy of the independent expert's report to the Authority, confirming that the revisions have been implemented and that the Network Model is in use in its modified form.

Part C: Provision and modification of Relevant Network Model Data

9.13.12 The licensee must include in the Network Model the Relevant Network Model Data.

9.13.13 The licensee must:

- (a) have in place a statement of procedures for modifying or updating the Relevant Network Model Data that is approved by the Authority;
- (b) keep under review the procedures set out in that statement; and
- (c) propose any revisions to those procedures that it considers should be made in the light of such review.

9.13.14 Before revising the procedures required by paragraph 9.13.13(a), the licensee must send to the Authority a report setting out:

- (a) the proposed revisions; and
- (b) the reasons for those proposed revisions.

9.13.15 The Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or

- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part D: Provision of Network Model and associated systems to the ISOP and the Authority

9.13.16 The licensee must, if requested by the Authority, and in any event by or on 30 September of each Regulatory Year, provide to the ISOP:

- (a) the Network Model;
- (b) Relevant Network Model Data;
- (c) the tools and systems associated with the operation of the Network Model;
- (d) changes and updates required to support the configuration of the Network Model and the tools and systems under paragraph 9.12.16(c); and
- (e) an overall summary of the changes made to the Network Model and the Network Model Data.

9.13.17 The licensee must provide any other information or support related to the operation of the Network Model that the ISOP may reasonably request.

9.13.18 The licensee must use reasonable endeavours to ensure that the Network Model and Relevant Network Model Data provided in accordance with paragraph 9.12.16 are replications of the Network Model and Relevant Network Model Data in use by the licensee.

9.13.19 Where the licensee's Network Model and/or the Relevant Network Model Data have significantly changed from the versions provided under 9.13.16, the licensee must, as soon as is reasonably practicable:

- (a) inform the ISOP of the changes; and
- (b) provide the necessary updates and information to the ISOP and the updated Network Model and Relevant Network Model Data as required under 9.13.16.

9.13.20 The licensee must send to the Authority by or on 30 September of each Regulatory Year a copy of its submission to the ISOP as required by paragraph 9.13.16.

Part E: Derogations

9.13.21 The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Special Condition 9.14 Capacity Requests, Baseline Capacity and Capacity Substitution

Introduction

- 9.14.1 The purpose of this condition is to set out the licensee's obligation to:
- (a) publish a notice of any requests for Firm Entry Capacity or Firm Exit Capacity;
 - (b) submit an associated notification to the Authority;
 - (c) maintain a table of instances of Entry Capacity Substitution and a table of instances of Exit Capacity Substitution;
 - (d) maintain a table of NTS Entry Points and NTS Exit Points along with associated information; and
 - (e) maintain a table of Zero Licence Baseline Entry Capacity Points and a table of Zero Licence Baseline Exit Capacity Points.
- 9.14.2 This condition also:
- (a) sets out a process for approval of Entry Capacity Substitution or Exit Capacity Substitution;
 - (b) sets out requirements in relation to the treatment of Zero Licence Baseline Entry Capacity Points and Zero Licence Baseline Exit Capacity Points; and
 - (c) sets out Licence Baseline Entry Capacity and Licence Baseline Exit Capacity.
- 9.14.3 The effect of this condition is:
- (a) to establish the requirements for requests for Firm Entry Capacity and Firm Exit Capacity, and
 - (b) to state the Licence Baseline Entry Capacity and Licence Baseline Exit Capacity levels and adjustments.

Part A: Publishing notice of request

- 9.14.4 Where the licensee receives a request for Firm Entry Capacity or Firm Exit Capacity, some or all of which constitutes Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity, the licensee must publish a notice on its website setting out where it intends to reserve that capacity, subject to the provisions of the appropriate statements maintained by the licensee under Special Condition 9.18 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.19 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
- 9.14.5 The notice must set out:
- (a) each NTS Entry Point listed in Appendix 1 or NTS Exit Point listed in Appendix 2 at which the Firm Entry Capacity or Firm Exit Capacity

respectively has been requested and the quantity of capacity requested there;

- (b) a description of any other location, where there is no NTS Entry Point or NTS Exit Point listed in the licence, where the Firm Entry Capacity or Firm Exit Capacity has been requested and the quantity of capacity requested there; and
- (c) whether any part of the Firm Entry Capacity or Firm Exit Capacity requested cannot be satisfied using Entry Capacity Substitution or Exit Capacity Substitution, and will be the subject of an application by the licensee for a direction under Special Condition 3.12 (Funded incremental obligated capacity Re-opener and Price Control Deliverable).

Part B: Notification to the Authority and approval of Entry Capacity Substitution or Exit Capacity Substitution

9.14.6 Where the licensee has published a notice in accordance with Part A, the licensee must:

- (a) notify the Authority; and
- (b) where relevant, outline with the notification to the Authority any proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution.

9.14.7 The Authority will within 28 days:

- (a) approve the proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution;
- (b) reject the proposal; or
- (c) request more information from the licensee and approve or reject the proposal within 28 days of receipt of information that the Authority considers satisfies its request.

9.14.8 Where the Authority takes no action under paragraph 9.14.7 the licensee may treat the proposals as approved.

9.14.9 The licensee's notification must include statements:

- (a) confirming that the licensee has applied the methodologies in the relevant statements maintained by the licensee under Special Conditions 9.18 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.19 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), and, in relation to those methodologies, setting out:
 - i. the input data that the licensee used in applying the methodologies; and
 - ii. the results of applying the methodologies;
- (b) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental

Obligated Exit Capacity through Entry Capacity Substitution or Exit Capacity Substitution, as well as the volume of this capacity the licensee proposes to provide there, the relevant NTS Entry Points or NTS Exit Points where this capacity is being substituted from, and the volumes of this capacity being substituted away from each relevant NTS Entry Point or NTS Exit Point;

- (c) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that is to be the subject of an application by the licensee for a direction under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and the volume of this capacity the licensee proposes to provide there;
- (d) setting out why the Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity referred to in paragraph 9.14.9(c) falls within the scope of paragraph 3.12.7 of Special Condition 3.12 (Funded incremental obligated capacity Re-opener and Price Control Deliverable);
- (e) setting out the first month in which Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity would be provided under paragraph 9.14.9(b) or (c) at the relevant NTS Entry Point or NTS Exit Point or in which Non-Incremental Obligated Entry Capacity or Non-Incremental Exit Capacity would cease to be provided at the relevant NTS Entry Point or NTS Exit Point; and
- (f) setting out the date when the licensee's obligation to offer for sale any Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity under paragraph 9.14.9(b) and (c) would commence, and the date on which the licensee's obligation to offer for sale any volume of Non-Incremental Obligated Entry Capacity or Non-Incremental Obligated Exit Capacity being substituted away from the relevant NTS Entry Points or NTS Exit Points would cease.

Part C: Record of Entry Capacity Substitution and Exit Capacity Substitution

9.14.10 The licensee must maintain and publish on its website:

- (a) a table of instances of Entry Capacity Substitution; and
- (b) a table of instances of Exit Capacity Substitution.

Part D: NTS Entry Points and NTS Exit Points

9.14.11 The licensee must maintain and publish on its website a table of the NTS Entry Points and NTS Exit Points listed in Appendix 1 and Appendix 2 respectively, which includes quantities, for each point, of:

- (a) Licence Baseline Entry Capacity and Licence Baseline Exit Capacity;
- (b) Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity;
- (c) Non-Incremental Obligated Entry Capacity and Non-Incremental Obligated Exit Capacity;
- (d) total monthly capacity release obligation;

- (e) reserved capacity;
- (f) sold capacity; and
- (g) unsold capacity.

Part E: Zero Licence Baseline entry and exit capacity points

9.14.12 The licensee must maintain and publish on its website:

- (a) a table of Zero Licence Baseline Entry Capacity Points; and
- (b) a table of Zero Licence Baseline Exit Capacity Points.

9.14.13 The licensee must promptly inform the Authority of the creation of any new Zero Licence Baseline Entry Capacity Points or Zero Licence Baseline Exit Capacity Points.

9.14.14 Unless otherwise directed by the Authority, after recording the existence of a new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point, the licensee must:

- (a) conduct a consultation with network users on whether the new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point should be treated as a Relevant Point on the licensee's pipeline system; and
- (b) during the period of 14 days beginning with the date of the close of its consultation, submit to the Authority:
 - i. a report on the outcome of the consultation; and
 - ii. any written representations that were received from interested parties during the consultation process and were not withdrawn.

9.14.15 Following submission of the report the licensee must seek the Authority's approval for either:

- (a) treating the new Zero Licence Baseline Entry Capacity Point or the new Zero Licence Baseline Exit Capacity Point as a Relevant Point on the licensee's pipeline system, or
- (b) not treating it as a Relevant Point on the licensee's pipeline system.

Appendix 1

Licence Baseline Entry Capacity

NTS Entry Point	Type of entry	Baseline capacity (in GWh/d, as of 1 April 2026)
Bacton (IP)	INTERCONNECTOR	XXX
Bacton (UKCS)	BEACH TERMINAL	XXX
Barrow	BEACH TERMINAL	XXX

Easington (including Rough)	BEACH TERMINAL	XXX
St. Fergus	BEACH TERMINAL	XXX
Teesside	BEACH TERMINAL	XXX
Theddlethorpe	BEACH TERMINAL	XXX
Glenmavis	STORAGE SITE	XXX
Partington	STORAGE SITE	XXX
Avonmouth	STORAGE SITE	XXX
Isle of Grain	LNG IMPORTATION TERMINAL	XXX
Dynevor Arms	STORAGE SITE	XXX
Hornsea	STORAGE SITE	XXX
Hatfield Moor (Storage)	STORAGE SITE	XXX
Hatfield Moor (Onshore)	ONSHORE FIELD	XXX
Cheshire	STORAGE SITE	XXX
Hole House Farm	STORAGE SITE	XXX
Wytch Farm	ONSHORE FIELD	XXX
Burton Point	ONSHORE FIELD	XXX
Milford Haven	LNG IMPORTATION TERMINAL	XXX
Barton Stacey	STORAGE SITE	XXX
Garton	STORAGE SITE	XXX
Burton Agnes (Caythorpe)	STORAGE SITE	XXX

Winkfield	STORAGE SITE	XXX
Blyborough (Welton)	STORAGE SITE	XXX
Tatsfield	STORAGE SITE	XXX
Albury	STORAGE SITE	XXX
Palmers Wood	STORAGE SITE	XXX
Fleetwood	STORAGE SITE	XXX
Portland	STORAGE SITE	XXX
Canonbie	ONSHORE FIELD	XXX
Moffat	INTERCONNECTOR	XXX
Murrow	BIOMETHANE PLANT	XXX

Appendix 2

Licence Baseline Exit Capacity

NTS Exit Point	Type of offtake	Baseline capacity (in GWh/d, as of 1 April 2026)
Bacton	GDN (EA)	XXX
Brisley	GDN (EA)	XXX
Cambridge	GDN (EA)	XXX
Great Wilbrahim	GDN (EA)	XXX
Matching Green	GDN (EA)	XXX
Peterborough Eye (Tee)	GDN (EA)	XXX
Roudham Heath	GDN (EA)	XXX
Royston	GDN (EA)	XXX
Whitwell	GDN (EA)	XXX
West Winch	GDN (EA)	XXX
Yelverton	GDN (EA)	XXX
Alrewas (EM)	GDN (EM)	XXX
Blaby	GDN (EM)	XXX
Blyborough	GDN (EM)	XXX
Caldecott	GDN (EM)	XXX
Thornton Curtis (DN)	GDN (EM)	XXX
Drointon	GDN (EM)	XXX
Gosberton	GDN (EM)	XXX
Kirkstead	GDN (EM)	XXX
Market Harborough	GDN (EM)	XXX

Silk Willoughby	GDN (EM)	XXX
Sutton Bridge	GDN (EM)	XXX
Tur Langton	GDN (EM)	XXX
Walesby	GDN (EM)	XXX
Asselby	GDN (NE)	XXX
Baldersby	GDN (NE)	XXX
Burley Bank	GDN (NE)	XXX
Ganstead	GDN (NE)	XXX
Pannal	GDN (NE)	XXX
Paull	GDN (NE)	XXX
Pickering	GDN (NE)	XXX
Rawcliffe	GDN (NE)	XXX
Towton	GDN (NE)	XXX
Bishop Auckland	GDN (NO)	XXX
Coldstream	GDN (NO)	XXX
Corbridge	GDN (NO)	XXX
Cowpen Bewley	GDN (NO)	XXX
Elton	GDN (NO)	XXX
Guyzance	GDN (NO)	XXX
Humbleton	GDN (NO)	XXX
Keld	GDN (NO)	XXX
Little Burdon	GDN (NO)	XXX
Melkinthorpe	GDN (NO)	XXX
Saltwick Pressure Controlled	GDN (NO)	XXX
Saltwick Volumetric Controlled	GDN (NO)	XXX
Thrintoft	GDN (NO)	XXX
Towlaw	GDN (NO)	XXX
Wetheral	GDN (NO)	XXX
Horndon	GDN (NT)	XXX
Luxborough Lane	GDN (NT)	XXX
Peters Green	GDN (NT)	XXX
Peters Green South Mimms	GDN (NT)	XXX
Winkfield (NT)	GDN (NT)	XXX
Audley (NW)	GDN (NW)	XXX
Blackrod	GDN (NW)	XXX
Ecclestone	GDN (NW)	XXX
Holmes Chapel	GDN (NW)	XXX

Lupton	GDN (NW)	XXX
Malpas	GDN (NW)	XXX
Mickle Trafford	GDN (NW)	XXX
Partington	GDN (NW)	XXX
Samlesbury	GDN (NW)	XXX
Warburton	GDN (NW)	XXX
Weston Point	GDN (NW)	XXX
Aberdeen	GDN (SC)	XXX
Armadale	GDN (SC)	XXX
Balgray	GDN (SC)	XXX
Bathgate	GDN (SC)	XXX
Broxburn	GDN (SC)	XXX
Burnhervie	GDN (SC)	XXX
Careston	GDN (SC)	XXX
Drum	GDN (SC)	XXX
St Fergus	GDN (SC)	XXX
Glenmavis	GDN (SC)	XXX
Hume	GDN (SC)	XXX
Kinknockie	GDN (SC)	XXX
Langholm	GDN (SC)	XXX
Lauderhill	GDN (SC)	XXX
Lockerbie	GDN (SC)	XXX
Netherhowcleugh	GDN (SC)	XXX
Pitcairngreen	GDN (SC)	XXX
Soutra	GDN (SC)	XXX
Stranraer	GDN (SC)	XXX
Farningham	GDN (SE)	XXX
Farningham B	GDN (SE)	XXX
Shorne	GDN (SE)	XXX
Tatsfield	GDN (SE)	XXX
Winkfield (SE)	GDN (SE)	XXX
Braishfield A	GDN (SO)	XXX
Braishfield B	GDN (SO)	XXX
Crawley Down	GDN (SO)	XXX
Hardwick	GDN (SO)	XXX
Ipsden	GDN (SO)	XXX
Ipsden 2	GDN (SO)	XXX

Mappowder	GDN (SO)	XXX
Winkfield (SO)	GDN (SO)	XXX
Aylesbeare	GDN (SW)	XXX
Cirencester	GDN (SW)	XXX
Coffinswell	GDN (SW)	XXX
Easton Grey	GDN (SW)	XXX
Evesham	GDN (SW)	XXX
Fiddington	GDN (SW)	XXX
Ilchester	GDN (SW)	XXX
Kenn	GDN (SW)	XXX
Littleton Drew	GDN (SW)	XXX
Lyneham (Choakford)	GDN (SW)	XXX
Pucklechurch	GDN (SW)	XXX
Ross (SW)	GDN (SW)	XXX
Seabank (DN)	GDN (SW)	XXX
Alrewas (WM)	GDN (WM)	XXX
Aspley	GDN (WM)	XXX
Audley (WM)	GDN (WM)	XXX
Austrey	GDN (WM)	XXX
Leamington	GDN (WM)	XXX
Lower Quinton	GDN (WM)	XXX
Milwich	GDN (WM)	XXX
Ross (WM)	GDN (WM)	XXX
Rugby	GDN (WM)	XXX
Shustoke	GDN (WM)	XXX
Stratford-upon-Avon	GDN (WM)	XXX
Maelor	GDN (WN)	XXX
Dowlais	GDN (WS)	XXX
Dyffryn Clydach	GDN (WS)	XXX
Gilwern	GDN (WS)	XXX
Abson (Seabank Power Station phase I)	DC	XXX
Air Products (Teesside)	DC	XXX
Apache (Sage Black Start)	DC	XXX
Bacton (Great Yarmouth)	DC	XXX
Barking (Horndon)	DC	XXX
Barrow (Black Start)	DC	XXX

Billingham ICI (Terra Billingham)	DC	XXX
Bishop Auckland (test facility)	DC	XXX
Blackness (BP Grangemouth)	DC	XXX
Blyborough (Brigg)	DC	XXX
Blyborough (Cottam)	DC	XXX
Brine Field (Teesside) Power Station	DC	XXX
Burton Point (Connaught Quay)	DC	XXX
Caldecott (Corby Power Station)	DC	XXX
Carrington (Partington) Power Station	DC	XXX
Cockenzie Power Station	DC	XXX
Coryton 2 (Thames Haven) Power Station	DC	XXX
Centrax Industrial	DC	XXX
Deeside	DC	XXX
Didcot	DC	XXX
Drakelow Power Station	DC	XXX
Eastoft (Keadby Blackstart)	DC	XXX
Eastoft (Keadby)	DC	XXX
Eggborough Power Station	DC	XXX
Enron Billingham	DC	XXX
Epping Green (Enfield Energy, aka Brimsdown)	DC	XXX
Ferny Knoll (AM Paper)	DC	XXX
Fordoun CNG Station	DC	XXX
Glasgowforest	DC	XXX
Goole (Guardian Glass)	DC	XXX
Gowkhall (Longannet)	DC	XXX
Grain Power Station	DC	XXX
Harwarden (Shotton, aka Shotton Paper)	DC	XXX
Hatfield Power Station	DC	XXX
Hirwaun Power Station	DC	XXX
Hollingsgreen (Hays Chemicals)	DC	XXX
Keadby 2 Power Station	DC	XXX

Kinneil CHP	DC	XXX
Langage Power Station	DC	XXX
Marchwood Power Station	DC	XXX
Medway (aka Isle of Grain Power Station NOT Grain Power)	DC	XXX
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	XXX
Millbrook Power Station	DC	XXX
Moffat (Irish Interconnector)	INTERCONNECTOR	XXX
Palm Paper	DC	XXX
Pembroke Power Station	DC	XXX
Peterborough (Peterborough Power)	DC	XXX
Phillips Petroleum, Teesside	DC	XXX
Pickmere (Winnington Power, aka Brunner Mond)	DC	XXX
Roosecote Power Station (Barrow)	DC	XXX
Rosehill (Saltend Power Station)	DC	XXX
Progress Power Station	DC	XXX
Ryehouse	DC	XXX
Saddle Bow (Kings Lynn)	DC	XXX
Saltend BPHP (BP Saltend HP)	DC	XXX
Saltholme Power Station	DC	XXX
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	XXX
Seabank (Seabank Power Station phase II)	DC	XXX
Seal Sands TGPP	DC	XXX
Sellafield Power Station	DC	XXX
Shellstar (aka Kemira, not Kemira CHP)	DC	XXX
Shotwick (Bridgewater Paper)	DC	XXX
Spalding 2 (South Holland Power Station)	DC	XXX
St Fergus Segal	DC	XXX

St. Fergus (Shell Blackstart)	DC	XXX
St. Fergus (Peterhead)	DC	XXX
St. Neots (Little Barford)	DC	XXX
Stallingborough	DC	XXX
Stanford Le Hope (Coryton)	DC	XXX
Staythorpe	DC	XXX
Sutton Bridge Power Station	DC	XXX
Teesside (BASF, aka BASF Teesside)	DC	XXX
Teesside Hydrogen	DC	XXX
Terra Nitrogen (aka ICI, Terra Severnside)	DC	XXX
Thornton Curtis (Humber Refinery, aka Immingham)	DC	XXX
Thornton Curtis (Killingholme)	DC	XXX
Tilbury Power Station	DC	XXX
Tonna (Baglan Bay)	DC	XXX
Trafford Power Station	DC	XXX
Upper Neeston (Milford Haven Refinery)	DC	XXX
West Burton Power Station	DC	XXX
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	XXX
Weston Point (Rocksavage)	DC	XXX
Willington Power Station	DC	XXX
Wragg Marsh (Spalding)	DC	XXX
Wyre Power Station	DC	XXX
Zeneca (ICI Avecia, aka “Zenica”)	DC	XXX
Bacton (Baird)	STORAGE SITE	XXX
Barrow (Bains)	STORAGE SITE	XXX
Barrow (Gateway)	STORAGE SITE	XXX
Caythorpe	STORAGE SITE	XXX
Deborah Storage (Bacton)	STORAGE SITE	XXX
Hatfield Moor Max Refill	STORAGE SITE	XXX
Hill Top Farm (Hole House Farm)	STORAGE SITE	XXX
Holford	STORAGE SITE	XXX

Hole House Max Refill	STORAGE SITE	XXX
Partington Max Refill	STORAGE SITE	XXX
Saltfleeby Storage (Theddlethorpe)	STORAGE SITE	XXX
Stublach (Cheshire)	STORAGE SITE	XXX
Glenmavis Max Refill	STORAGE SITE	XXX
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	XXX
Avonmouth Max Refill	STORAGE SITE	XXX
Dynevor Max Refill	STORAGE SITE	XXX
Garton Max Refill (Aldbrough)	STORAGE SITE	XXX
Hornsea Max Refill	STORAGE SITE	XXX
Rough Max Refill	STORAGE SITE	XXX
Bacton (exit) IP	INTERCONNECTOR	XXX

Special Condition 9.15 Prohibited procurement activities

Introduction

- 9.15.1 The purpose of this condition is to set out the restriction on the licensee regarding the acquisition of capacity rights, gas or gas derivatives.
- 9.15.2 The effect of this condition is to:
- (a) specify the prohibited activities that the licensee is not allowed to take regarding the acquisition of gas products; and
 - (b) specify the conditions and exemptions where the licensee would be allowed to acquire gas products.

Part A: Part A: Prohibited procurement activities obligation

- 9.15.3 Subject to paragraph 9.15.4, the licensee must not either on its own account or on behalf of:
- (a) any Affiliate or Related Undertaking of the licensee; or
 - (b) any other business operated by the holder of this licence or its Affiliates or Related Undertakings under a separate licence under section 7 of the Act for a Relevant Gas Transporter
 - (c) purchase, enter into agreements for or otherwise acquire capacity rights, gas or
 - (d) gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties, and the licensee must procure that anyone specified in sub-paragraphs (a) and (b) will not undertake
 - (e) such transactions on its own account, or on behalf of the licensee, or of anyone
 - (f) specified in sub-paragraphs (a) and (b).
- 9.15.4 The prohibition in paragraph 9.15.3 will not apply if the transactions referred to in paragraph 9.15.3 are undertaken:
- (a) by an Affiliate or Related Undertaking of the licensee each on its own account or on behalf of Affiliates or Related Undertakings specified in paragraphs 9.15.3(a) and (b) other than the licensee, provided that, in respect of each case, such Affiliate or Related Undertaking holds a licence under section 7 of the Act, issued by the Authority, or exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;
 - (b) with the prior consent of the Authority;
 - (c) in accordance with the licensee's functions under the Network Code; or
 - (d) by the licensee on its own account for the purpose of facilitating balancing management or Constraint Management provided that such transactions:
 - i. are conducted on economic and efficient terms; and

- ii. facilitate the economic and efficient operation of the Transportation System.

Special Condition 9.16 NTS shortfall contribution obligations

Introduction

9.16.1 The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its Licensed Activity to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:

- (a) from the persons; and
- (b) in the manner

specified in such Shortfall Direction, and to pay such amounts to the persons specified in the Shortfall Direction.

Part A: Licensee's obligations under this condition

9.16.2 Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions to the licensee specifying:

- (a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));
- (b) the amount to be raised by the licensee and applied in making good the shortfall;
- (c) the Shortfall Payment Recipients;
- (d) the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;
- (e) the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee's normal billing cycle);
- (f) the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in sub-paragraph (b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);
- (g) where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in sub-paragraph (b) is to be applied in discharging those debts;

- (h) the extent to which the Shortfall Direction modifies or replaces a previously issued Shortfall Direction;
- (i) where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 9.16.6;
- (j) the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised,
- (k) and the licensee must comply with any such Shortfall Direction.

9.16.3 As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:

- (a) modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee's discretion, any Permitted Administration Fee); and
- (b) notify the persons who are subject to the charges so modified of:
 - i. the modifications made to the charges;
 - ii. any modification to the date or time period within which charges shall be paid;
 - iii. the reason for those modifications; and
 - iv. the interest rate applicable to late payment of modified charges.

9.16.4 The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph 9.16.3(a), (excluding any Permitted Administration Fee), to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction.

9.16.5 For the avoidance of doubt the licensee shall not at any time be under any liability:

- (a) to make any payments to any Shortfall Payment Recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any Permitted Administration Fee); or
- (b) to pay interest on any amounts due to any Shortfall Payment Recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of money to the licensee.

9.16.6 Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previous Shortfall Direction, if the amount raised by the licensee under paragraph 9.16.3(a) (excluding any Permitted Administration Fee):

- (a) is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:
 - i. as soon as is reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and
 - ii. pay that amount to the Shortfall Payment Recipients as soon as is reasonably practicable and at the latest by any date specified in the Shortfall Direction; or
- (b) is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.

9.16.7 For the purposes of paragraphs 9.16.3(a) and 9.16.6:

- (a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence or the Uniform Network Code and any charges levied by the licensee after modification pursuant to paragraph 9.16.3(a) or 9.16.6 will be deemed to be compliant with the licensee's obligations under Standard Special Condition A4 (Charging - General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology);
- (b) the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and
- (c) in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or in so far as any differences in charges are required to give effect to the Shortfall Direction.

9.16.8 The licensee must, as soon as is reasonably practicable after making any payment under paragraph 9.16.4 or 9.16.6, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.

- 9.16.9 Any change in the licensee's SO Recovered Revenue or TO Recovered Revenue attributable to the licensee's compliance with this condition will be treated as if it had not occurred.
- 9.16.10 The licensee must prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of paragraph 9.16.3(a) or 9.16.6, a statement showing:
- (a) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.16.3(a);
 - (b) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.16.6(a);
 - (c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph 9.16.6(b);
 - (d) the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, paragraph 9.16.6(a),
 - (e) and must send the statement to the Authority during the period of four months beginning with the date on which the period to which it relates ends.
- 9.16.11 As soon as is reasonably practicable after sending a statement under paragraph 9.16.10 to the Authority, the licensee must also publish it on its website.
- 9.16.12 In this condition:
- (a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall have the same meaning in this condition as in that Chapter;
 - (b) any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall have the same meaning in this condition as in that Chapter; and
 - (c) any words or expressions used in the Smart Meters Act 2018 shall have the same meaning in this condition as they do in that Act.

Special Condition 9.17 Not used

Special Condition 9.18 Entry Capacity and Exit Capacity obligations and methodology statements

Introduction

9.18.1 This condition places the following obligations on the licensee:

- (a) to maintain and comply with an:
 - i. Entry Capacity Substitution methodology statement;
 - ii. Entry Capacity Transfer and Entry Capacity Trade methodology statement;
 - iii. Exit Capacity Substitution methodology statement; and

- iv. Exit Capacity Revision methodology statement;
 - (b) to report to the Authority; and
 - (c) to publish the statements referred to in sub-paragraph (a).
- 9.18.2 This condition also sets out:
- (a) the capacity-related objectives which the statements referred to in paragraph 9.18.1(a) must facilitate; and
 - (b) the process for the licensee to revise the statements referred to in paragraph 9.18.1(a).

Part A: The methodology statements

- 9.18.3 The licensee must have in place the following statements approved by the Authority:
- (a) an Entry Capacity Substitution methodology statement;
 - (b) an Entry Capacity Transfer and Entry Capacity Trade methodology statement;
 - (c) an Exit Capacity Substitution methodology statement; and
 - (d) an Exit Capacity Revision methodology statement;
- 9.18.4 The statements required by paragraph 9.18.3 must facilitate the achievement of the capacity-related objectives set out in Part C.

Part B: Obligation to apply the methodologies in the methodology statements

- 9.18.5 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Substitution methodology statement when carrying out Entry Capacity Substitution.
- 9.18.6 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Transfer and Entry Capacity Trade methodology statement when carrying out Entry Capacity Transfer and Entry Capacity Trade.
- 9.18.7 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Substitution methodology statement when carrying out Exit Capacity Substitution.
- 9.18.8 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Revision methodology statement when carrying out Exit Capacity Revision.

Part C: Capacity-related objectives

- 9.18.9 The capacity-related objectives are:
- (a) ensuring that each of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the licensee's

duties under the Act and, in particular, the duty to develop and maintain an efficient and economical pipeline system, and its obligations under this licence;

(b) in so far as is consistent with sub-paragraph (a), ensuring that:

- i. Entry Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.12 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Entry Capacity that shippers and, where relevant DN Operators, have indicated that they will require in the future through making a financial commitment to the licensee; and
- ii. Exit Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.12 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the licensee;

(c) in so far as is consistent with sub-paragraph (a), ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;

(d) in so far as is consistent with sub-paragraph (a), avoiding material increases in the costs that are reasonably expected to be incurred by the licensee as a result of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision, including Entry Capacity Constraint Management and Exit Capacity Constraint Management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the licensee to Relevant Shippers and, where relevant, to DN Operators; and

(e) in so far as is consistent with sub-paragraph (a) and, where relevant, sub-paragraphs (b), (c) and (d), facilitating effective competition between:

- i. Relevant Shippers, and where relevant, DN Operators; and
- ii. Relevant Suppliers.

Part D: Review and revision of the methodology statements

9.18.10 The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years:

(a) review the statements referred to in paragraph 9.18.3 in consultation with:

- i. Relevant Shippers;
- ii. in relation to revisions concerning Exit Capacity Substitution or Exit Capacity Revision, DN Operators; and
- iii. any other interested parties; and

- (b) notify the Authority of the outcome of its review.
- 9.18.11 Before revising a statement referred to in paragraph 9.18.3, the licensee must:
- (a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;
 - (b) consult for a period of not less than 28 days with the parties referred to in paragraph 9.18.10(a);
 - (c) during the period of 14 days beginning with the day after the date on which the consultation closes, submit to the Authority a report setting out:
 - i. the revisions originally proposed;
 - ii. any representations made and not withdrawn; and
 - iii. any changes to the revisions proposed as a result of such representations; and
 - (d) submit to the Authority, alongside the report under sub-paragraph (c), a statement from an Independent Examiner:
 - i. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
 - ii. giving an opinion on whether the statement as revised would be consistent with the licensee's duties under the Act and with the licensee's obligations under this licence.
- 9.18.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in 9.18.11(c) and (d), the Authority will:
- (a) approve any revisions proposed by the licensee;
 - (b) reject any proposed revisions; or
 - (c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.
- 9.18.13 Where the Authority takes no action under paragraph 9.18.12 the licensee may treat the proposed revisions as approved.

Part E: Licensee's obligation to report to the Authority

- 9.18.14 The licensee must, by 31 May in each Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:
- (a) the application, over the previous Regulatory Year, of the statements referred to in paragraph 9.18.3;
 - (b) the licensee's view on the extent to which, over the previous Regulatory Year, the capacity-related objectives in Part C were achieved; and

- (c) the aggregate levels of change in capacity, over the previous Regulatory Year, as a result of Entry Capacity Transfer, Entry Capacity Trade, Entry Capacity Substitution, Exit Capacity Substitution and Exit Capacity Revision.

Part F: Licensee's obligation to publish documents

- 9.18.15 The licensee must publish the current versions of the statements in paragraph 9.18.3 on its website.

Part G: Derogations

- 9.18.16 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

Special Condition 9.19 Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Introduction

- 9.19.1 This condition places the following obligations on the licensee:
 - (a) to release Obligated Entry Capacity and Obligated Exit Capacity;
 - (b) to maintain and comply with capacity release methodology statements;
 - (c) to report to the Authority; and
 - (d) to publish the capacity release methodology statements.
- 9.19.2 This condition also sets out the process for the licensee to revise the capacity release methodology statements.

Part A: Release of Obligated Entry Capacity and Obligated Exit Capacity

- 9.19.3 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Entry Capacity at each NTS Entry Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).
- 9.19.4 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Exit Capacity at each NTS Exit Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

Part B: Capacity release methodology statements

- 1.1.2 The licensee must have in place the following capacity release methodology statements approved by the Authority:
 - (b) an Entry Capacity release methodology statement; and
 - (c) an Exit Capacity release methodology statement.

9.19.5 The Entry Capacity release methodology statement must:

- (a) set out how the licensee decides whether to make Incremental Entry Capacity available for sale to Relevant Shippers and, where relevant, DN Operators;
- (b) set out how, where the licensee makes Incremental Entry Capacity available, the licensee decides what quantity to make available;
- (c) unless the Authority otherwise directs, include a net present value test which includes the following parameters:
 - i. the net present value test is considered to have been passed if the outcome of the test is a figure greater than or equal to 0.5;
 - ii. cash flows are discounted by the social time preference rate that is published in accordance with “The Green Book: Central Government Guidance on Appraisal and Evaluation” as amended from time to time; and
 - iii. the net present value test is calculated over a period of 32 quarters;
- (d) set out how the licensee offers for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators; and
- (e) incorporate the obligation set out in paragraph 9.19.3.

9.19.6 The Exit Capacity release methodology statement must:

- (a) set out how the licensee decides whether to make Incremental Exit Capacity available for sale to Relevant Shippers and DN Operators;
- (b) set out where the licensee makes Incremental Exit Capacity available, how it decides what quantity to make available, and how much capacity is made available;
- (c) set out how the licensee offers for sale Obligated Exit Capacity to Relevant Shippers and DN Operators; and
- (d) incorporate the obligation set out in paragraph 9.19.4.

Part C: Obligation to apply the methodologies in the capacity release methodology statements

9.19.7 The licensee must use reasonable endeavours to apply the methodology in the Entry Capacity release methodology statement when:

- (a) releasing Entry Capacity to Relevant Shippers and, where relevant, to DN Operators; and
- (b) when offering for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators.

9.19.8 The licensee must use reasonable endeavours to apply the methodology in the Exit Capacity release methodology statement when:

- (a) releasing Exit Capacity to Relevant Shippers and DN Operators; and

- (b) when offering for sale Obligated Exit Capacity to Relevant Shippers and DN Operators.

Part D: Review and revision of the capacity release methodology statements

9.19.9 The licensee must, if so directed by the Authority, and in any event at least once in every period of two Regulatory Years:

- (a) review the capacity release methodology statements required under Part B in consultation with:
 - i. Relevant Shippers;
 - ii. in relation to reviewing Exit Capacity release, DN Operators; and
 - iii. any other interested parties; and
- (b) notify the Authority of the outcome of its review.

9.19.10 Before revising a capacity release methodology statement, the licensee must:

- (a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;
- (b) consult for a period of not less than 28 days with the parties referred to in paragraph 9.19.10(a);
- (c) within 14 days of the close of the consultation, submit to the Authority a report setting out:
 - i. the revisions originally proposed;
 - ii. any representations made and not withdrawn; and
 - iii. any change to the revisions proposed as a result of such representations; and
- (d) submit to the Authority, alongside the report, a statement from an Independent Examiner:
 - i. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
 - ii. giving an opinion on whether the capacity release methodology statement as revised would be consistent with the licensee's duties under the Act and with the licensee's obligations under this licence.

9.19.11 During the period of 56 days beginning with the date of receipt of the report and statement referred to in 9.19.11(c) and (d), the Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

9.19.12 Where the Authority takes no action under paragraph 9.19.12 the licensee may treat the proposed revisions as approved.

Part E: Licensee's obligation to report to the Authority

9.19.13 The licensee must, at least once in each Regulatory Year, provide a report to the Authority on:

- (a) the levels of:
 - i. Obligated Entry Capacity that the licensee is required to release to Relevant Shippers and, where relevant DN Operators, at each NTS Entry Point; and
 - ii. Obligated Exit Capacity that the licensee is required to release to Relevant Shippers and to DN Operators at each NTS Exit Point; and
- (b) the Incremental Entry Capacity and Incremental Exit Capacity release requests, including requests resulting from PARCA applications, and the progress of those requests during the previous Regulatory Year.

Part F: Licensee's obligation to publish documents

9.19.14 The licensee must publish the current versions of the capacity release methodology statements required under Part B on its website.

Part G: Derogations

9.19.15 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

Special Condition 9.20 System Management Services

Introduction

9.20.1 The purpose of this condition is to require the licensee to have in place and maintain:

- (a) a Procurement Guidelines Document;
- (b) a System Management Principles Statement;
- (c) a System Management Services Adjustment Methodology; and
- (d) a statement that complies with the requirements under Part E in respect of that methodology.

Part A: General Duties under this Condition

9.20.2 The licensee must operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

9.20.3 The licensee must not show undue preference to, or unduly discriminate between, any person or any class or classes of persons when procuring or using System Management Services.

- 9.20.4 The licensee's obligations under paragraph 9.20.3 include an obligation to ensure that the following persons or undertakings also comply with the prohibitions imposed by that paragraph:
- (a) any Affiliate or Related Undertaking of the licensee; and
 - (b) any other business operated by the holder of this licence, or by any Affiliate or Related Undertaking of the licensee, under a licence under section 7 of the Act for a Relevant Gas Transporter.

Part B: Procurement Guidelines Document

- 9.20.5 The licensee must have in place before 1 April in each Regulatory Year, a Procurement Guidelines Document which sets out:
- (a) the kinds of System Management Services that the licensee may be interested in purchasing during that Regulatory Year; and
 - (b) the mechanisms by which the licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.
- 9.20.6 The licensee must revise its Procurement Guidelines Document within the relevant Regulatory Year if its intentions in relation to the procurement of System Management Services change during that period.
- 9.20.7 During the first month of each Regulatory Year, the licensee must prepare a report, in a form approved by the Authority, about the System Management Services that the licensee has bought or acquired in the preceding Regulatory Year.

Part C: System Management Principles Statement

- 9.20.8 The licensee must have in place a System Management Principles Statement which sets out the principles and criteria by which the licensee will at different times and in different circumstances determine:
- (a) which System Management Services the licensee will use to assist it in the operation of the NTS; and
 - (b) when and for what purpose the licensee would resort to measures not involving the use of System Management Services in the operation of the NTS.
- 9.20.9 The licensee must comply with the provisions of the System Management Principles Statement.
- 9.20.10 As soon as reasonably practicable after the end of each Regulatory Year, the licensee must prepare a report that:
- (a) describes the manner in which, and the extent to which, the licensee has, during that year, complied with the provisions of the System Management Principles Statement; and
 - (b) states whether any modification should be made to that statement to reflect more closely the practice of the licensee.

9.20.11 The report must be accompanied by a statement from an Independent Examiner that:

- (a) confirms that the Independent Examiner has carried out an investigation, the scope and objectives of which were established by the licensee and approved by the Authority; and
- (b) gives the Independent Examiner's opinion on the extent to which the licensee has complied with the provisions of the System Management Principles Statement.

9.20.12 The licensee may from time to time revise its System Management Principles PIP

9.20.13 Statement in accordance with the requirements under Part D.

Part D: Part D: Procedure for revising the System Management Principles Statement

9.20.14 The licensee must, if so directed by the Authority, and in any event at least once in each Regulatory Year, review its System Management Principles Statement in consultation with Gas Shippers, DN Operators, and other persons likely to be materially affected by the licensee's use of System Management Services.

9.20.15 The consultation must allow a period of not less than 28 days in which persons can make representations to the licensee.

9.20.16 During the period of 7 days beginning with the date on which the consultation is completed, the licensee must send to the Authority:

- (a) a report on the outcome of the review;
- (b) a statement of any proposed revisions to the System Management Principles Statement that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the principles and criteria referred to in paragraph 9.20.8; and
- (c) any written representations (including any proposals for revising the statement that have not been accepted by the licensee) that were received from any of the persons mentioned in paragraph 9.20.13 during the consultation process and have not been withdrawn.

9.20.17 The licensee may revise the System Management Principles Statement only in accordance with any revision that falls within the statement of proposed revisions under paragraph 9.20.15(b), and only if the Authority consents to that revision.

Part E: System Management Services Adjustment Methodology

9.20.18 This Part applies where the Uniform Network Code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of Relevant System Management Services.

- 9.20.19 Where this Part applies, the licensee must have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.
- 9.20.20 The licensee must have in place a System Management Services Adjustment Methodology statement that contains a complete and fully documented explanation of its System Management Services Adjustment Methodology.
- 9.20.21 The licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements of Part F.

Part F: Part F: Procedure for revising the System Management Services Adjustment Methodology

- 9.20.22 Whenever the licensee first buys, sells, or acquires any Relevant System Management Service of a kind or under a mechanism that is not already covered by its System Management Services Adjustment Methodology, it must promptly seek to establish a revised methodology, approved by the Authority, which does cover that kind of service or that mechanism.
- 9.20.23 Before revising its System Management Services Adjustment Methodology, the licensee must:
- (a) send a copy of its proposed revisions to the Authority and to any interested party who asks for a copy;
 - (b) consult Gas Shippers and DN Operators and allow them a period of not less than 28 days in which to make representations; and
 - (c) during the period of 7 days beginning with the date on which the consultation is completed, send to the Authority a report that sets out the revisions originally proposed, any representations received by the licensee that were not withdrawn, and any proposed changes to the original proposals.
- 9.20.24 The licensee must not revise its System Management Services Adjustment Methodology:
- (a) during the period of 28 days beginning with the date on which the Authority receives the report set out in paragraph 9.20.22(c);
 - (b) if within that period the Authority directs the licensee not to make the revision; or
 - (c) before any day specified by the Authority in a derogation that the licensee applied for under Part J.

Part G: Availability of licensee's statements and reports

- 9.20.25 The licensee must:
- (a) send to the Authority a copy of each statement, report, and revision required by this condition;
 - (b) provide a copy of each statement, report or most recent revision to any person who asks for a copy and makes such a payment to the licensee as

- it may require (which must not exceed such amount as the Authority may from time to time approve for that purpose); and
- (c) publish, by such date and in such form and manner as the Authority may approve, each statement, report and revision.

Part H: Exclusion of certain matters

- 9.20.26 In complying with the requirements of paragraphs 9.20.24(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.
- 9.20.27 Any question arising under paragraph 9.20.25 as to whether the publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect their interests is to be determined by the Authority.

Part I: Retention of particulars and records

- 9.20.28 The licensee must maintain for a period of seven years:
- (a) particulars of all System Management Services offered to it;
 - (b) particulars of all contracts for System Management Services that it has entered into;
 - (c) records of all System Management Services called for and provided; and
 - (d) records of the quantities of gas transported through the NTS.

Part J: Derogations

- 9.20.29 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.planning

Special Condition 9.21 Independent market for balancing

Introduction

- 9.21.1 The purpose of this licence condition is to modify the standard special conditions in their application for the purposes of this licence.

Part A: Modifications

- 9.21.2 For the purposes of this licence Standard Special Condition A11 (Network Code and Uniform Network Code) is to be treated as including the following paragraphs after paragraph 22:
- “22A. Where the network code makes provision for energy balancing by the licensee, as the energy balancing gas transporter, of the total system through a market established by the operator of the independent market for balancing (as such terms are defined in Standard Special Condition A16 (Independence of the Independent Market for Balancing)) then the following paragraphs 22B, 22C and 22D shall apply.”

“22B. The licensee must, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:

- i. financial resources,
- ii. skilled and experienced personnel, and
- iii. systems

adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.”

“22C. The requirement in paragraph 22B will be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:

- (b) a person recognised by the Financial Conduct Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
- (c) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”

“22D. If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee must use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”

Special Condition 9.22 Provision of information

Introduction

- 9.22.1 The purpose of this condition is to set out the obligations of the licensee in respect of the publication of information on its website.

Part A: Licensee's obligations under this condition

- 9.22.2 The licensee must use reasonable endeavours to publish information on its website as soon as reasonably practicable and which will provide:
- (a) reports on the licensee's view on what the outlook will be for the coming summer and winter (as appropriate) for gas, which include forecast levels of demand, forecast levels of supply, information on the NTS and the overall security of supply position; and
 - (b) Operational Data which will aim to reduce market uncertainty, increase transparency and give equal access for stakeholders to the information that is available.

Special Condition 9.23 Implementing and maintaining the Demand Side Response Methodology

Introduction

9.23.1 This condition sets out the licensee's obligations to:

- (a) have in place and maintain the Demand Side Response Methodology for assessing and accepting Demand Side Response Offers;
- (b) Not used
- (c) Not used

Part A: The Demand Side Response Methodology

1.1.3 The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.

1.1.4 The licensee must ensure that the Demand Side Response Methodology:

- (a) ensures that any party making a Demand Side Response Offer is a party to the Uniform Network Code or a gas consumer that is eligible to participate, in accordance with the Uniform Network Code;
- (b) Not used
- (c) Not used
- (d) Not used
- (e) promotes, and further facilitates, parties making Demand Side Response Offers to the licensee through open and transparent market-based arrangements, in accordance with the Uniform Network Code;
- (f) does not unduly preclude the emergence of commercial interruption arrangements;
- (g) minimises distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and
- (h) ensures that Demand Side Response is procured in a manner consistent with the licensee's duties under the Act and, in particular, the licensee's obligation to operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

Special Condition 9.24 Revising the Demand Side Response Methodology

9.24.1 The licensee must, at least once in every period of two Regulatory Years, review, and if appropriate revise, the Demand Side Response Methodology in consultation with interested parties.

9.24.2 The consultation must allow a period of not less than 28 days in which interested parties can make representations to the licensee.

- 9.24.3 During the period of 7 days beginning with the date of completion of the consultation, the licensee must send to the Authority:
- (a) a report on the outcome of the review;
 - (b) a statement of any proposed revisions to the Demand Side Response Methodology that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology principles; and
 - (c) any written representations (including proposals for revising the statement that have not been accepted by the licensee) that were received from interested parties during the consultation process and have not been withdrawn.
- 9.24.4 The Authority, within 28 days of receiving a report under paragraph 9.24.6(a) and a statement under paragraph 9.24.6(b), will:
- (a) approve any proposed revisions; or
 - (b) Not used
 - (c) reject any proposed revisions.
- 9.24.5 In considering whether to approve the licensee's proposed revisions to the Demand Side Response Methodology, the Authority will have regard to whether they are consistent with the objectives in paragraph 9.24.3.

Part A: Not used

- 9.24.6 Not used
- 9.24.7 Not used
- 9.24.8 Not used

Part B: Exception to compliance with condition

- 9.24.9 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.
- 9.24.10 The Authority may, having consulted with the licensee and interested parties, direct that the licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.