

Standard Special Condition A28. Gas Network Innovation Strategy

Introduction

RIIO-3 proposed changes to Standards and Standard Special Conditions

1. The purpose of this condition is to set an obligation on the licensee to work with other parties to develop a Gas Network Innovation Strategy. This obligation is intended to ensure that Relevant Network Licensees take a joined up approach to innovation, which results in coordinated action on priority areas that offer significant potential benefit, shared learning and the avoidance of unnecessary duplication.
2. This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Gas Network Innovation Strategy.

Part A: Requirement to create and maintain a Gas Network Innovation Strategy

3. The licensee must develop and maintain a Gas Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of the Gas Network Innovation Strategy.
4. The licensee must use reasonable endeavours to work with all other Relevant Network Licensees to ensure the Gas Network Innovation Strategy is reviewed every two years and where necessary, in the majority view of Relevant Network Licensees, is also updated.

Part B: Gas Network Innovation Strategy

5. The Gas Network Innovation Strategy must:
 - (a) set out the procedures for updating it (which must include the requirement to consult with Interested Parties in accordance with Part C below and the biennial review referred to in paragraph 4);
 - (b) be kept up to date in accordance with the procedures referred to in paragraph 5(a); and
 - (c) be readily accessible to the public from the licensee's website.

6. The Gas Network Innovation Strategy must include:
- (a) a description of the challenges and uncertainties which the Relevant Network Licensees consider are pertinent to the gas network over different time periods that could be addressed through innovative projects;
 - (b) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in order to address the challenges referred to in paragraph 6(a) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the Gas Network Innovation Strategy will help to address those challenges;
 - (c) a description of the challenges which the Relevant Network Licensees consider are pertinent to the gas network over different time periods and which are not currently being addressed through projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Interested Parties;
 - (d) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in relation to the challenges identified in paragraph 6(c) of this condition, with particular regard to how future Innovation Projects, which Relevant Network Licensees will seek to initiate over the period of the Gas Network Innovation Strategy, will help to address those challenges. Consideration should be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to any challenge identified in paragraph 6(c), a reason should be provided as part of this description;
 - (e) a description of how Relevant Network Licensees will coordinate their activities on Innovation Projects to minimise unnecessary duplication of effort;

- (f) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects; and
- (g) any directions related to the Gas Network Innovation Strategy issued by the Authority.

Part C: Consultation

7. The licensee must, in cooperation with Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Gas Network Innovation Strategy. This includes stakeholders in the following sectors:
- (a) electricity;
 - (b) gas;
 - (c) heat;
 - (d) refuse;
 - (e) telecoms;
 - (f) transport; and
 - (g) water and wastewater.
8. The licensee must include in the Gas Network Innovation Strategy:
- (a) a description of those Interested Parties and stakeholders referred to in paragraph 7, with whom it has consulted; and
 - (b) its analysis of any representations relevant to the requirements set out in paragraph 6, received in response to the consultation.

Part D: Interpretation

9. For the purposes of this condition:

Gas Network Innovation Strategy	means a document, or suite of documents, published by Relevant Network Licensees that complies, or together comply with the requirements of this condition.
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Innovation Project

means a project funded by the:

- (a) RIIO-1 Network Innovation Allowance;
- (b) RIIO-2 Network Innovation Allowance;
- (c) RIIO-1 Network Innovation Competition; or
- (d) SIF.

Interested Parties

include, but are not limited to, the Engineering and Physical Sciences Research Council, the Department for Energy Security and Net Zero, Innovate UK and their successor bodies, holders of a gas transporter licence that are not National Gas Transmission plc or a RIIO Gas Distribution Licensee, or the ISOP.

Relevant Network Licensee

means the holder of a gas transporter licence with condition A28 in effect in its licence or the ISOP.

RIIO Gas Distribution Licensee

means Cadent Gas Ltd, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales & West Utilities Ltd.

RIIO-1 Network Innovation Allowance

means the network innovation allowance established by Special Condition 2E (The Network Innovation Allowance) of the gas transporter licence held by National Gas Transmission plc as in force on 31 March 2021 and now governed by Special Condition 5.3 (Carry-over Network Innovation Allowance) of that licence; and Special Condition 1H (The Network Innovation Allowance) of the gas

transporter licences held by the RIIO Gas Distribution Licensees as in force on 31 March 2021 and now governed by Special Condition 5.3 (Carry-over Network Innovation Allowance) of those licences.

RIIO-1 Network Innovation Competition means the network innovation competition established by Special Condition 2F (The Network Innovation Competition) of the gas transporter licence held by National Gas Transmission plc as in force on 31 March 2021 and now governed by Special Condition 7.7 (RIIO-GT1 network innovation competition) of that licence; and Special Condition 1I (The Network Innovation Competition) of the gas transporter licences held by the RIIO Gas Distribution Licensees as in force on 31 March 2021 and now governed by Special Condition 7.7 (RIIO-GD1 network innovation competition) of those licences.

RIIO-2 Network Innovation Allowance means the network innovation allowance established by Special Condition 5.2 (RIIO-2 network innovation allowance) of the gas transporter licences held by National Gas Transmission plc and the RIIO Gas Distribution Licensees.

Strategic Innovation Fund (SIF) means the strategic innovation fund established by Special Condition 5.7 (The strategic innovation fund) of the gas transporter licence held by National Gas plc

and Special Condition 9.13 (The strategic innovation fund) of the gas transporter licences held by RIIO Gas Distribution Licencees.

Standard Special Condition A37: Availability of Resources (GT/GD)

1. The licensee shall at all times act in a manner calculated to secure that it has available to itself such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:
 - (a) to properly and efficiently carry on the transportation business of the licensee; and
 - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to those activities authorised by this licence including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of gas transportation.

Certificates for the Authority in relation to financial resources

2. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1F**

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”

or

(b) **Certificate 2F**

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and subject to what is explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate. However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transportation business [followed by a description of the factors concerned].”

or

(c) **Certificate 3F**

“In the opinion of the licensee’s directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”

3. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1F-Extended**

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for the longer of: (i) the next three years from the date of this certificate or (ii) the remainder of the Price Control Period.”

or

(b) Certificate 2F-Extended

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and subject to the factors explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation, subject to the factors explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for the longer of: (i) the next three years from the date of this certificate or (ii) the remainder of the Price Control Period. However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transportation business [*followed by a description of the factors concerned*].”

or

(c) Certificate 3F-Extended

“In the opinion of the licensee’s directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for the longer of: (i) the next three years from the date of this certificate or (ii) the remainder of the Price Control Period.”

Statement of factors and report by auditors in relation to financial resources certificate

4. The licensee must ensure that the certificate given to the Authority under paragraph 2 is accompanied by:
 - (a) a statement of the main factors that the licensee’s directors have taken into account in giving that certificate including reference to:
 - (i) the main financial resources and financial facilities available to the licensee;
 - (ii) the most recent cash flow statement prepared for the licensee;
- and

- (b) a report prepared by its auditors and addressed to the Authority which states whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it under sub-paragraph (a), and, on the other hand, any information that they obtained during their audit work under Standard Special Condition A30 (Regulatory Accounts) on the licensee's regulatory accounts.
- 5. The licensee must ensure that the certificate given to the Authority under paragraph 3 is accompanied by a statement of the main factors that the licensee's directors have taken into account in giving that certificate including reference to:
 - (a) results of any stress tests that the licensee deemed to be appropriate;
 - (b) financial projections of key financial metrics;
 - (c) assumptions made in relation to the availability of financial markets for any financing or refinancing requirements, including assumptions around equity injections;and
 - (d) credit facilities, including drawn and undrawn, and compliance with covenants.

Certificates for the Authority in relation to operational resources

- 6. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:
 - (a) Certificate 1R

“After making enquiries the licensee's directors have a reasonable expectation that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents and facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”
 - or
 - (b) Certificate 2R

“After making enquiries, and subject to what is explained below, the licensee’s directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents and facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.

However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transportation business [followed by a description of the factors concerned].”

or

(c) Certificate 3R

“In the opinion of the licensee’s directors, the licensee will not have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”

Statement of factors in relation to operational resources certificate

7. The licensee must ensure that the certificate given to the Authority under paragraph 6 is accompanied by a statement of the main factors that the licensee’s directors have taken into account in giving that certificate.

Certificate for the Authority in relation to compliance with certain Standard Special Licence Conditions

8. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) Certificate 1C

“After making enquiries the licensee’s directors consider that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee and resulting obligations) and Standard Special Condition A39 (Indebtedness).”

or

(b) Certificate 2C

“In the opinion of the licensee’s directors, the licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee and resulting obligations) and Standard Special Condition A39 (Indebtedness).”

Obligation to report any adverse circumstances

9. The licensee must inform the Authority in writing immediately if:
- (a) the directors of the licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 2(a), 2(b), 6(a) or 6(b); or
 - (b) the directors of the licensee consider that any adverse circumstances that caused them to give the Authority a certificate in the form of Certificate 3F under paragraph 2(c) or Certificate 3R under paragraph 6(c) have materially worsened.

Certificates for the Authority in relation to dividends

10. Subject to paragraph 13, the directors of the licensee must not declare or recommend a dividend, and the licensee must not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the Companies Act 2006, or redeem or repurchase any share capital of the licensee, unless before declaring, recommending, or making the distribution, redemption, or repurchase (as the case may be) the licensee has given the Authority a certificate that complies in all respects with the three requirements set out in paragraphs 11 and 12 below.
11. The first requirement is that the certificate must be in the following form:

“After making enquiries, the directors of the licensee are satisfied:

 - (a) that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee and resulting obligations) and Standard Special Condition A39 (Indebtedness); and
 - (b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future.”
12. The second and third requirements are that the certificate:
 - (a) must have been approved by a resolution of the licensee’s board of directors passed not more than 14 days before the date on which the declaration, recommendation, or payment is to be made; and
 - (b) must be signed by a director of the licensee.
13. The licensee need not give the Authority a certificate of the type referred to in paragraph 10 in circumstances where:

- (a) during the three months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the Authority a certificate in the form of Certificate 1C under the requirement set out in paragraph 6 of this condition; and
 - (b) that certificate includes an appropriate addendum using the form of the wording given at paragraph 11(b) of this condition.
- 14. Where the certificate given under paragraph 10, or relied upon under paragraph 13, relates to the declaration or recommendation of a dividend, the licensee is under no obligation to issue a further certificate before paying that dividend so long as such payment is made within six months of the date on which the certificate was given.

Requirement to maintain an intervention plan

- 15. The licensee must prepare by 1 April 2014, or within 12 months of this condition coming into effect in respect of the licensee, whichever is the later, and thereafter, maintain an intervention plan fulfilling the criteria described in the definition of intervention plan in paragraph 17 below.
- 16. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan in paragraph 17 below to be included in the intervention plan will be satisfied if the plan provides details of other documents or records (including electronic records) where that information can be readily obtained and those documents or records are either maintained by the licensee itself or are available to the licensee at all times under a legal or contractual right.

Interpretation

- 17. In this condition:

“associate” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Special Condition A3 (Definitions and Interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“intervention plan” means a document or set of documents (which may be in a suitably secure electronic format) containing information that would be sufficient to allow an energy administrator (within the meaning of Chapter 3 of Part 3 of the Energy Act 2004) readily to obtain information on:

- (a) the financial assets, resources, and facilities of the licensee;
- (b) the non-financial assets, rights, and resources of the licensee including information on key management and operational personnel and information technology systems;
- (c) the liabilities of the licensee, including contingent and contractual liabilities, with counterparty and maturity information;
- (d) the tax affairs of the licensee;
- (e) the personnel of the licensee and any pension schemes sponsored or administered by the licensee;
- (f) any mortgages, charges, or other forms of security over the licensee’s assets;
- (g) the systems and processes by which the licensee carries on the transportation business with information on any significant contractual arrangements, including those that impose obligations on the licensee;
- (h) any arrangements under which the licensee has relinquished operational control over transportation assets (as that term is defined in Standard Special Condition A27 (Disposal of Assets and restrictions on charges over Receivables)) to an associate of the licensee;
- (i) any contractual rights to receive cash or other financial assets from any associate of the licensee;
- (j) any contractual obligations to deliver cash or other financial assets to any associate of the licensee; and

- (k) the licensee's arrangements and procedures for ensuring compliance with legislative requirements and with its obligations under this licence, including price control reporting requirements.

“participating owner” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a participating owner) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“participating interest” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

18. NOT USED.

Standard Condition B7: Availability of Resources (ET)

1. The licensee shall at all times act in a manner calculated to secure that it has available to it such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:
 - (a) to properly and efficiently carry on the transmission business; and
 - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to the transmission business including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.

Certificates for the Authority in relation to financial resources

2. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:
 - (a) **Certificate 1F**

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.”

or

(b) Certificate 2F

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and subject to what is explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate. However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transmission business [*followed by a description of the factors concerned*].”

or

(c) Certificate 3F

“In the opinion of the licensee’s directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.”

3. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) Certificate 1F-Extended

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for the longer of: (i) the next three years from the date of this certificate or (ii) the remainder of the Price Control Period.”

or

(b) Certificate 2F-Extended

“After making enquiries, including reviewing the results of stress tests that the licensee considers to be appropriate, and subject to the factors explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee’s directors have a reasonable expectation, subject to the factors explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for the longer of: (i) the next three years from the date of this certificate or (ii) the remainder of the Price Control Period. However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transmission business [*followed by a description of the factors concerned*].”

or

(c) Certificate 3F-Extended

“In the opinion of the licensee’s directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for the longer of: (i) the next three years from the date of this certificate or (ii) the remainder of the Price Control Period.”

Statement of factors and report by auditors in relation to financial resources certificate

4. The licensee must ensure that the certificate given to the Authority under paragraph 2 is accompanied by:
 - (a) a statement of the main factors that the licensee's directors have taken into account in giving that certificate including reference to:
 - (i) the main financial resources and financial facilities available to the licensee;
 - (ii) the most recent cash flow statement prepared for the licensee;
 - and
 - (b) a report prepared by its auditors and addressed to the Authority which states whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it under sub-paragraph (a) and, on the other hand, any information that they obtained during their audit work under standard condition B1 (Regulatory Accounts) on the licensee's regulatory accounts.
5. The licensee must ensure that the certificate given to the Authority under paragraph 3 is accompanied by a statement of the main factors that the licensee's directors have taken into account in giving that certificate including reference to:
 - (e) results of any stress tests that the licensee deemed to be appropriate;
 - (f) financial projections of key financial metrics;
 - (g) assumptions made in relation to the availability of financial markets for any financing or refinancing requirements, including assumptions around equity injections;
 - and
 - (h) credit facilities, including drawn and undrawn, and compliance with covenants.

Certificates for the Authority in relation to operational resources

6. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1R**

“After making enquiries the licensee’s directors have a reasonable expectation that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a of 12 months from the date of this certificate.”

or

(b) **Certificate 2R**

“After making enquiries, and subject to what is explained below, the licensee’s directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.

However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transmission business [*followed by a description of the factors concerned*].”

or

(c) **Certificate 3R**

“In the opinion of the licensee’s directors, the licensee will not have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.”

Statement of factors in relation to operational resources certificate

7. The licensee must ensure that the certificate given to the Authority under paragraph 6 is accompanied by a statement of the main factors that the licensee’s directors have taken into account in giving that certificate.

Certificate for the Authority in relation to compliance with certain standard licence conditions

8. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1C**

"After making enquiries the licensee's directors consider that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness)."

or

(b) **Certificate 2C**

"In the opinion of the licensee's directors, the licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness)."

Obligation to report any adverse circumstances

9. The licensee must inform the Authority in writing immediately if:
- (a) the directors of the licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 2(a), 2(b), 6(a) or 6(b); or

- (b) the directors of the licensee consider that any adverse circumstances that caused them to give the Authority a certificate in the form of Certificate 3F under paragraph 2(c) or Certificate 3R under paragraph 6(c) have materially worsened.

Certificates for the Authority in relation to dividends

10. Subject to paragraph 13, the directors of the licensee must not declare or recommend a dividend, and the licensee must not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the Companies Act 2006, or redeem or repurchase any share capital of the licensee, unless before declaring, recommending, or making the distribution, redemption, or repurchase (as the case may be) the licensee has given the Authority a certificate that complies in all respects with the three requirements set out in paragraphs 11 and 12 below.
11. The first requirement is that the certificate must be in the following form:

“After making enquiries, the directors of the licensee are satisfied:

 - (a) that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all the obligations imposed on it by standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness);

and

 - (b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future.”
12. The second and third requirements are that the certificate:

- (a) must have been approved by a resolution of the licensee's board of directors passed not more than 14 days before the date on which the declaration, recommendation, or payment is to be made; and
 - (b) must be signed by a director of the licensee.
- 13. The licensee need not give the Authority a certificate of the type referred to in paragraph 10 in circumstances where:
 - (a) during the three months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the Authority a certificate in the form of Certificate 1C under the requirement set out in paragraph 6 of this condition; and
 - (b) that certificate includes an appropriate addendum using the wording given at paragraph 11(b) of this condition.
- 14. Where the certificate given under paragraph 10, or relied upon under paragraph 13, relates to the declaration or recommendation of a dividend, the licensee is under no obligation to issue a further certificate before paying that dividend so long as such payment is made within six months of the date on which the certificate was given.

Requirement to maintain an Intervention Plan

- 15. The licensee must prepare by 1 April 2014, or within 12 months of this condition coming into effect in respect of the licensee, whichever is the later, and thereafter, maintain an intervention plan fulfilling the criteria described in the definition of intervention plan in paragraph 17 below.
- 16. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan in paragraph 17 below to be included in the intervention plan will be satisfied if the plan provides details of other documents or records (including electronic records) where that information can be readily obtained and those documents or records are either maintained by the licensee itself or are available to the licensee at all times under a legal or contractual right.

Interpretation

17. In this condition:

“associate” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“intervention plan” means a document or set of documents (which may be in a suitably secure electronic format) containing information that would be sufficient to allow an energy administrator (within the meaning of Chapter 3 of Part 3 of the Energy Act 2004) readily to obtain information on:

- (a) the financial assets, resources, and facilities of the licensee;
- (b) the non-financial assets, rights, and resources of the licensee including information on key management and operational personnel and information technology systems;
- (c) the liabilities of the licensee, including contingent and contractual liabilities, with counterparty and maturity information;
- (d) the tax affairs of the licensee;
- (e) the personnel of the licensee and any pension schemes sponsored or administered by the licensee;
- (f) any mortgages, charges, or other forms of security over the licensee’s assets;

- (g) the systems and processes by which the licensee carries on the transmission business with information on any significant contractual arrangements, including those that impose obligations on the licensee;
- (h) any arrangements under which the licensee has relinquished operational control over relevant assets (as that term is defined in Standard Condition B3 (Disposal of relevant assets and restriction on charges over receivables)) to an associate of the licensee;
- (i) any contractual rights to receive cash or other financial assets from any associate of the licensee;
- (j) any contractual obligations to deliver cash or other financial assets to any associate of the licensee; and
- (k) the licensee's arrangements and procedures for ensuring compliance with legislative requirements and with its obligations under this licence, including price control reporting requirements.

“participating owner” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“participating interest” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Standard Special Condition A38: Credit Rating of the Licensee and related obligations (GD/GT)

Introduction

The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports.

PART A: Obligation to maintain an Investment Grade Issuer Credit Rating

1. The licensee must maintain more than one Investment Grade Issuer Credit Rating at all times.

²PART B: Obligation to provide Published Rating Reports

Where a Negative Rating Action occurs in respect of the licensee or any of the licensee's credit ratings is withdrawn, it must within a period of ten working days beginning with the date of the relevant Published Rating Report:

3.
 - (a) notify the Authority; and
 - (b) if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

PART C: Obligation to provide Financial Resilience Reports

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of 1 April 2026 or the date of a Negative Rating Action relating to the licensee (whichever is later), if:
 - (a) any of the licensee's ratings held for an Issuer Credit Rating or highest rating held for a Significant Instrument Credit Rating is one notch higher than the lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;
 - (b) any of the licensee's Issuer Credit Ratings or Significant Instrument Credit Ratings is at the lowest Investment Grade or lower, or
 - (c) The licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating that would, if breached by the licensee, trigger an event of default under the relevant debt documents and that rating is either:
5.
 - i. one notch above the minimum covenant requirement and is on Negative Watch; or
 - ii. the rating is lower than one notch above the minimum rating specified within the covenant requirement.

The Financial Resilience Report must include:

- (a) an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to:
 - (ii) operational performance; or
 - (iii) macro-economic events,in each case as applicable;

- (b) financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and
- (c) details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.

The financial projections required by paragraph 5(b) must include:

- (a) a forecast balance sheet;
- (b) income statements;
- (c) cashflow statements;
- 6. (d) key financial metric projections; and
- (e) results of any stress tests that the licensee considers to be appropriate.

Standard Condition B10: Credit rating of the licensee and related obligations

Introduction

1. The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports.

Part A: Obligation to maintain an Investment Grade Issuer Credit Rating

2. The licensee must maintain more than one Investment Grade Issuer Credit Rating at all times.

Part B: Obligation to provide Published Rating Reports

3. Where a Negative Rating Action occurs in respect of the licensee or any of the licensee's credit ratings is withdrawn, it must within a period of ten working days beginning with the date of the relevant Published Rating Report:
 - a) notify the Authority; and
 - b) if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

Part C: Obligation to provide Financial Resilience Reports

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of 1 April 2026 or the date of a Negative Rating Action relating to the licensee (whichever is later), if:
 - a) any of the licensee's ratings held for an Issuer Credit Rating or highest rating held for a Significant Instrument Credit Rating is one notch higher than the

- lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;
 - b) any of the licensee's Issuer Credit Ratings or Significant Instrument Credit Ratings is at the lowest Investment Grade or lower; or
 - c) the licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating that would, if breached by the licensee, trigger an event of default under the relevant debt documents and that rating is either;
 - (i) one notch above the minimum covenant requirement and is on Negative Watch; or
 - (ii) lower than one notch above the minimum rating specified within the covenant requirement.
5. The Financial Resilience Report must include:
- a) an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to:
 - (i) operational performance; or
 - (ii) macro-economic events,in each case as applicable;
 - b) financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and
 - c) details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.
6. The financial projections required by paragraph 5(b) of this condition must include:
- a) a forecast balance sheet;
 - b) income statements;
 - c) cashflow statements;
 - d) key financial metric projections; and
 - e) results of any stress tests that the licensee considers to be appropriate.

Standard Special Condition A39: Indebtedness (GD/GT)

1. In addition to the requirements of Standard Special Condition A27 (Disposal of relevant assets and restrictions on charges over receivables), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
 - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
 - (i) on an arm's length basis;
 - (ii) on normal commercial terms;
 - (iii) for a permitted purpose; and
 - (iv) (if the transaction is within the ambit of Standard Special Condition A27 (Disposal of Assets and restrictions on charges over Receivables)) in accordance with that condition;
 - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee otherwise than by way of:
 - (i) a dividend or other distribution out of distributable reserves;
 - (ii) repayment of capital;
 - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
 - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;
 - (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);
 - (vi) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received; or

- (vii) an acquisition of shares or other investments in conformity with paragraph 2 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms,

provided, however, that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein;

- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation or continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation,

provided, however, that the provisions of sub-paragraph (c) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
 - (a) the counter-party to the transaction has and maintains until payment is made in full an Investment Grade Issuer Credit Rating; or
 - (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an Investment Grade Issuer Credit Rating.
3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 10, if any of the circumstances set out in paragraphs 4 to 9 applies.
4. The circumstance described by this paragraph is that the licensee does not hold an Investment Grade Issuer Credit Rating.
5. The circumstance described by this paragraph is that the licensee holds more than one Issuer Credit Rating and one or more of the ratings so held is not Investment Grade.
6. The circumstance described by this paragraph is that any Issuer Credit Rating held by the licensee is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. or BBB (low) by DBRS Ratings Ltd or any

of its affiliates (or such higher Issuer Credit Rating as may be specified by any of these credit rating agencies from time to time as the lowest Investment Grade Issuer Credit Rating), or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of Standard Special Condition A38 (Credit Rating of the Licensee and related obligations) and:

- (a) is on review for possible downgrade; or
 - (b) is on Credit Watch or Rating Watch with a negative designation;
- or, where neither (a) nor (b) applies:
- (c) the rating outlook of the licensee as specified by any credit rating agency referred to in this paragraph 6 which at the relevant time has assigned the lower or lowest Investment Grade Issuer Credit Rating held by the licensee has been changed from stable or positive to negative.

7. The circumstance described by this paragraph is that the licensee has:

- (a) given the Authority a certificate in the form of Certificate 3F under the requirement set out in paragraph 2 of Standard Special Condition A37 (Availability of Resources) and has not subsequently given the Authority a certificate in the form of Certificate 1F or Certificate 2F as set out in the same condition; or
- (b) given the Authority a certificate in the form of Certificate 3R under the requirement set out in paragraph 4 of Standard Special Condition A37 (Availability of Resources) and:
 - (i) the opinion expressed in the certificate arises in whole or in part from circumstances affecting an associate of the licensee, and
 - (ii) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or Certificate 2R as set out in the same condition;

or

- (c) informed the Authority of any circumstance of the type set out in paragraph 7 of Standard Special Condition A37 (Availability of Resources) and:

- (i) the circumstances giving rise to the licensee's report relate to the licensee's financial resources and the licensee has not subsequently given the Authority a certificate in the form of Certificate 1F or 2F as set out in the same condition; or
- (ii) the circumstances giving rise to the licensee's report relate to the licensee's operational resources and:
 - (aa) relate in whole or in part to circumstances affecting an associate of the licensee; and
 - (bb) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or 2R as set out in the same condition.

8. The circumstance described by this paragraph is that the licensee has, after 1 April 2013, materially breached any formal covenant contained in any loan agreement, commercial paper, bond issue or committed facility that it has entered into with a counterparty, unless one of the following applies:

- (a) the licensee has remedied the breach to the satisfaction of the counterparty concerned;
- (b) the licensee has renegotiated the covenant or arrangement to the satisfaction of the counterparty concerned;

and in either case (a) or (b) the remedy or renegotiation has been notified in writing to the Authority;

or

- (c) in response to a written request from the licensee, either the Authority has confirmed in writing, before the breach occurs, that the breach in question shall not trigger the provisions of paragraphs 3 and 10, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.

9. The circumstance described by this paragraph is that the licensee has an Actual Regulatory Gearing ratio of 75% or higher and, based on reasonable projections, will not exceed this ratio at the end of the current Regulatory Year.

10. Where under the provisions of paragraph 3, the licensee is prohibited from entering into or completing any transaction of a type referred to or described in paragraph 1(b), the licensee (following disclosure of all material facts) may not without the prior written consent of the Authority transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee as described or referred to in paragraph 1(b), otherwise than by way of:

- (a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the prohibiting circumstances arose, and which are provided on an arm's length basis and on normal commercial terms;
- (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
- (c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the prohibiting circumstances arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and
- (d) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

11. In this condition:

“Actual Regulatory Gearing” means the ratio of Net Debt to regulatory asset value, as reported at the closing of the previous Regulatory Year and calculated as per the RIGs.

“associate” means:

- a) an affiliate or related undertaking of the licensee;
- b) an ultimate controller of the licensee;
- c) a participating owner of the licensee; or

- d) a common control company.
- “common control company”** means any company, any of whose ultimate controllers (applying the definition set out in Standard Special Condition A3 (Definitions and Interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.
- “cross-default obligation”** means a term of any agreement or arrangement whereby the licensee’s liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, of increasing or of being accelerated by reason of a default (howsoever such default may be described or defined) by any person other than the licensee, unless:
- (i) that liability can arise only as the result of a default by a subsidiary of the licensee;
 - (ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors; and
 - (iii) that subsidiary carries on business only for a purpose within sub-paragraphs (a), (b), (c) or (d) of the definition of permitted purpose set out in Standard Special Condition A3 (Definitions and interpretation).
- “indebtedness”** means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and

	all costs, charges, penalties and expenses incurred in connection therewith.
“participating owner”	For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if: <ul style="list-style-type: none">a) that other person holds a participating interest in the person; orb) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.
“participating interest”	has the meaning given in section 421A of the Financial Services and Markets Act 2000.
“Net Debt”	means the value of the licensee’s net debt as reported at the closing of the previous Regulatory Year and defined by the RIGs.

Standard Condition B9: Indebtedness (ET)

1. In addition to the requirements of standard condition B3 (Disposal of relevant assets and restrictions on charges over receivables), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
 - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
 - on an arm’s length basis;
 - on normal commercial terms;

for a permitted purpose; and

(if the transaction is within the ambit of standard condition B3 (Disposal of relevant assets and restrictions on charges over receivables) in accordance with that condition);

(iii)

(b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee otherwise than by way of:

a dividend or other distribution out of distributable reserves;

(i) repayment of capital;

(ii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;

(iii)

(iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;

(v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);

(vi)

(vii) payments for group corporation tax relief or for the surrender thereof calculated on a basis not exceeding the value of the benefit received; or

an acquisition of shares or other investments in conformity with paragraph 2 of standard condition B6 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms, provided however, that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein;

(c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or

(d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation, provided however that the provisions of sub-paragraphs 1(c) and (d) shall not prevent the licensee from giving any

guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
 - (a) the counter-party to the transaction has and maintains until payment is made in full an Investment Grade Issuer Credit Rating; or
 - (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an Investment Grade Issuer Credit Rating.
3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 10, if any of the circumstances set out in paragraphs 4 to 9 applies:.
4. The circumstance described by this paragraph is that the licensee does not hold an Investment Grade Issuer Credit Rating.
5. The circumstance described by this paragraph is that the licensee holds more than one Issuer Credit Rating, and one or more of the ratings so held is not Investment Grade.
6. The circumstance described by this paragraph is that any Issuer Credit Rating held by the licensee is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. or BBB (low) by DBRS Ratings Ltd or any of its affiliates, (or such higher issuer credit rating as may be specified by any of these credit rating agencies from time to time as the lowest investment grade issuer credit rating), or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of standard condition B10 (Credit Rating) and:
 - (a) is on review for possible downgrade; or

(b) is on Credit Watch or Rating Watch with a negative designation;

or, where neither (a) nor (b) applies:

(c) the rating outlook of the licensee as specified by any credit rating agency referred to in this paragraph 6 that at the relevant time has assigned the lower or lowest Investment Grade Issuer Credit Rating held by the licensee has been changed from stable or positive to negative.

7. The circumstance described by this paragraph is that the licensee has:

(a) given the Authority a certificate in the form of Certificate 3F under the requirement set out in paragraph 2 of standard condition B7 (Availability of Resources) and has not subsequently given the Authority a certificate in the form of Certificate 1F or Certificate 2F as set out in the same condition; or

(b) given the Authority a certificate in the form of Certificate 3R under the requirement set out in paragraph 4 of standard condition B7 (Availability of Resources) and:

(i) the opinion expressed in the certificate arises in whole or in part from circumstances affecting an associate of the licensee, and

(ii) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or Certificate 2R as set out in the same condition;

or

(c) informed the Authority of any circumstance of the type referred to at paragraph 7 of standard condition B7 (Availability of Resources) and:

(i) the circumstances giving rise to the licensee's report relate to the licensee's financial resources and the licensee has not subsequently given the Authority a certificate in the form of Certificate 1F or 2F as set out in the same condition; or

(ii) the circumstances giving rise to the licensee's report relate to the licensee's operational resources and:

- (aa) relate in whole or in part to circumstances affecting an associate of the licensee; and
 - (bb) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or 2R as set out in the same condition.
- 8. The circumstance described by this paragraph is that the licensee has, after 1 April 2013, materially breached any formal covenant contained in any loan agreement, commercial paper, bond issue or committed facility that it has entered into with a counterparty, unless one of the following applies:
 - (a) the licensee has remedied the breach to the satisfaction of the counterparty concerned;
 - (b) the licensee has renegotiated the covenant or arrangement to the satisfaction of the counterparty concerned;and in either case (a) or (b) the remedy or renegotiation has been notified in writing to the Authority;
or
 - (c) in response to a written request from the licensee, either the Authority has confirmed in writing, before the breach occurs, that the breach in question shall not trigger the provisions of paragraphs 3 or 10, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.
- 9. The circumstance described by this paragraph is that the licensee has an Actual Regulatory Gearing ratio of 75% or higher and, based on reasonable projections, will not exceed this ratio at the end of the current Regulatory Year.
- 10. Where, under the provisions of paragraph 3, the licensee is prohibited from entering into or completing any transaction of a type referred to or described in paragraph 1(b), the licensee (following disclosure of all material facts) may not without the prior written consent of the Authority transfer, lease, license or lend any sum or sums, asset, right or benefit (as described or referred to in paragraph 1(b)) to any associate of the licensee, otherwise than by way of:

- (a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the prohibiting circumstances arose, and which are provided on an arm's length basis and on normal commercial terms;
- (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
- (c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the prohibiting circumstances arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and
- (d) payments for group corporation tax relief or the surrender thereof calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

11. In this condition:

“Actual Regulatory Gearing” means the ratio of Net Debt to regulatory asset value, as reported at the closing of the previous Regulatory Year and calculated as per the RIGs.

“associate” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard

conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“participating owner” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“Net Debt” means the value of the licensee’s net debt as reported at the closing of the previous Regulatory Year and defined by the RIGs.

“participating interest” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Standard Special Condition D10. Quality of service standards

1. This condition applies to the following activities undertaken by the licensee:
 - (a) connections to the pipe-line system to which this licence relates, in respect of:
 - (i) the provision of quotations for obtaining a new Gas Connection, an alteration of an existing Gas Connection, Diversion or Disconnection services;
 - (ii) responding to Land Enquiries;
 - (iii) providing a date for commencement of works; and
 - (iv) substantial completion of works within timescales agreed with the customer;
 - (b) the telephone service which the licensee operates or procures the operation of pursuant to Standard Special Condition A8 (Emergency Services and Enquiry Service Obligations) of the licence (“the emergency telephone service”), and meter point reference number helpline; and
 - (c) attendance at gas emergencies including gas escapes, emissions of carbon monoxide, fumes or other hazardous situations.
2. For each Regulatory Period , the licensee must procure that:

- (a) 90 per cent of Standard Quotations for:
 - (i) obtaining a new Gas Connection or an alteration of an existing Gas Connection up to and including rates of flow of 275 kWh per hour, or a Disconnection where the pressure is less than 2 bar gauge, are issued within four Working Days of receipt of the request unless the Customer requests a deferral; and
- (b) 90 per cent of Non-Standard Quotations for:
 - (i) obtaining a new Gas Connection or an alteration of an existing Gas Connection up to and including rates of flow of 275kWh per hour, or obtaining other Disconnections where the pressure is less than 2 bar gauge, are issued within 11 Working Days of receipt of the request unless the Customer requests a deferral;
 - (ii) obtaining a new Gas Connection or an alteration of an existing Gas Connection where rates of flow exceed 275kWh per hour, Disconnections where the pressure is greater than or equal to 2 bar gauge, or obtaining a Diversion, are issued within 21 Working Days of receipt of the request unless the Customer requests a deferral;
- (c) 90 per cent of new Gas Connections or alterations to existing Gas Connections are substantially completed within the timescales agreed with the Customer;
- (d) 90 per cent of replies to Land Enquiries are issued within five Working Days of receipt of the request unless the Customer requests a deferral;
- (e) in 90 per cent of cases, provide within 17 Working Days dates for commencement and substantial completion of works from the receipt of acceptance of a quotation for obtaining a new Gas Connection or altering an existing Gas Connection up to and including rates of flow of 275 kWh per hour as provided under paragraphs 2 (a)(i) and 2(b)(i), unless the Customer requests a deferral;
- (f) in 90 per cent of cases, provide within 20 Working Days dates for commencement and substantial completion of works from the receipt of acceptance of a quotation for obtaining a new Gas Connection or altering an existing Gas Connection where rates of flow exceed 275kWh per hour as provided under paragraph 2 (b)(ii), unless the Customer requests a deferral;
- (g) when responding to telephone calls:
 - (a) 90 per cent of calls to the:

- (i) the emergency telephone service; and
 - (ii) the meter point reference number helpline,

which are made during the hours that the licensee operates or procures the operation of such lines, will, in aggregate, be answered within 30 seconds; and
 - (b) in the case of the emergency telephone service, the calls must be answered by persons adequately trained to process such calls.
 - (h) where a report of a gas emergency including a gas escape, an emission of carbon monoxide, fumes or other hazardous situation is received through the emergency telephone service, or by any other means:
 - (i) in 97 per cent of cases, the licensee shall attend or procure the attendance of an Emergency Service Provider at the site of the incident promptly:
 - (a) in respect of an Uncontrolled Gas Escape or Other Uncontrolled Gas Emergency, within 1 hour of the full emergency details being received by the telephone service, or by any other means; or
 - (b) in respect of a Controlled Gas Escape or Other Controlled Gas Emergency, within 2 hours of the full emergency details being received on the telephone service, or by any other means;
 - (ii) the persons attending must have completed sufficient training to be able to competently and appropriately deal with the situations described in paragraphs 2(h)(i)(a) and (b);
 - (iii) the licensee must be able to demonstrate that the persons attending are able to competently and appropriately deal with the situations described in paragraphs 2(h)(i)(a) and (b);
 - (iv) the licensee must not retrospectively reclassify an uncontrolled gas escape or other uncontrolled gas emergency as a Controlled Gas Escape or Other Controlled Gas Emergency following its initial categorisation as an Uncontrolled Gas Escape or Other Uncontrolled Gas Emergency by the emergency telephone service;
 - (v) in accordance with Part D21, the emergency telephone service must proactively identify each consumer in a Vulnerable Situation and share this information with the licensee;
 - (vi) in accordance with Part D21, the licensee must take into account consumers' vulnerabilities in their response to the gas escape; and
 - (vii) the licensee must provide the Authority with a detailed identification of each gas escape event, as set out in the RIGs, where it has exceeded the target times in paragraph 2(h)(i)(a) and (b) as part of its annual Regulatory Reporting Pack.
3. The licensee must from time to time submit to the Authority for its agreement an accuracy review scheme through which Customers can require the licensee to review the accuracy of quotations for obtaining a new Gas Connection or altering an existing Gas Connection and, in the event that the licensee provides an inaccurate quotation, the

licensee shall adjust any charge made to the customer to the amount due under an Accurate Quotation.

4. In relation to requests received by the licensee relating to activities referred to in sub-paragraph 1(a), where a request is received after 5pm on any day it shall be deemed for the purposes of this condition as having been received on the next Working Day.
5. For the purpose of sub-paragraph 2(g) where the licensee operates or procures the operation of these telephone services in conjunction with other gas transporters, performance shall be measured by aggregating all calls relating to those services.
6. The licensee must, once in each formula year, provide Specified Information to the Authority.
7. The licensee must, once in each formula year:
 - (a) undertake an audit in respect of the provision by the licensee of services under paragraph 1(a);
 - (b) inform the Authority of the nature and scope of such audit; and
 - (c) when requested by the Authority in writing, review such audit and the manner in which it is being operated with a view to determining whether any modification should be made to such audit or to the manner of its operation.
8. This condition does not apply to requests in relation to:
 - (a) new build domestic developments of at least 5 domestic premises where there is no existing Gas Connection to the pipe-line system to which this licence relates;
 - (b) new build non domestic developments of at least 5 non-domestic premises where there is no existing Gas Connection to the pipe-line system to which this licence relates;
 - (c) premises to which gas will be conveyed at a pressure of more than 7 bar gauge;
 - (d) works classed as complex Gas Connections, Disconnections or Diversions in a statement issued from time to time by the licensee and agreed with the Authority after such consultation as the Authority directs;
 - (e) works classed as excluded Gas Connections, Disconnections or Diversions in a statement issued from time to time by the licensee and agreed with the Authority; or

- (f) requests where the Customer has failed to provide to the licensee such information as the licensee requires from the Customer in order to provide a quotation.
- 9. The licensee must prepare and from time to time revise a statement describing the performance standards required under paragraph 2(g) and 2(h) of this condition and the level of performance achieved in respect of those standards in a form and having a content which the licensee could reasonably expect would be within the understanding of customers to whom the statement relates and must:
 - (a) give a copy of the statement and of any revision of the statement to the Authority and to Citizens Advice and Consumer Scotland, before sending it to the gas suppliers referred to in sub-paragraph (b);
 - (b) at least once in any period of 12 months dispatch to each gas supplier which supplies gas to customers connected to the pipe-line system to which this licence relates for onward transmission to the gas supplier's customers a copy of the statement (in the form current at the time it is provided);
 - (c) make a copy of the statement (in its current form) available for inspection by any person at any offices fixed as appropriate by the licensee for the purposes of section 46(3) of the Act or, if none, at any premises of or occupied by the licensee open to the public in the normal course of the licensee's business during the normal opening hours of the premises;
 - (d) send a copy of the statement (in its current form) to any person who asks for one, and
 - (e) publish a copy of the statement on the licensee's website.
- 10. The statement prepared under paragraph 9 must be published in the form of a single document that also includes the statement referred to in paragraph 2 of regulation 15 of the Gas (Standards of Performance) Regulations 2005 (as amended).
- 11. Where the licensee is a DN operator that operates more than one Distribution Network (as defined in Special Condition 1.1 (Interpretation and definitions), the obligations of this condition shall apply in respect of each Distribution Network.

“accurate quotation”	means a correct charge in accordance with the licensee’s published gas connection charging statement;
“gas connection”	means the gas connection of a service (or any part thereof) under sections 9(1)(b) and 10(2) of the Act for the establishment of a new gas connection or alteration of an existing gas connection to premises on the transportation system where a service means a pipe (if any) installed or to be installed between any main and any emergency control valve at the relevant premises;
“controlled gas escape or other controlled gas emergency”	means a gas escape or other gas emergency where the person reporting the escape or other emergency, after carrying out (or causing to be carried out) the actions advised by the telephone service, advises the operator that the escape of gas or other emergency appears to have ceased;
“customer”	means domestic and non-domestic customers and prospective customers of licensed gas suppliers, gas shippers, gas suppliers, independent gas connection providers, licensed gas transporters or any other person requesting gas connection services specified under paragraph 1(a);
“emergency service provider”	shall have the same meaning as in the Gas Safety (Management) Regulations 1996;
“independent gas connection provider”	means any person that provides consultancy and/or engineering services in relation to gas connections on behalf of customers, gas shippers, gas suppliers and gas transporters;
“land enquiry”	means an indication of the availability of gas, an estimate of pressure that is or may become available, an estimate of the cost of the relevant gas connection and, where appropriate, the approval of a design for the provision of a new or alteration of an existing gas connection;
“non-standard quotation”	means a quotation other than a standard quotation (but excluding a self-quote);

“relevant period”	means the period from 1 April 2008 until 31 March 2009 and thereafter each succeeding period of 12 months starting on 1 April;
“self-quote”	means a quotation produced by the customer for the provision of a new or alteration of an existing gas connection in accordance with any conditions published by the licensee to enable the customer to calculate the cost of the relevant works;
“specified information”	<p>means as a minimum:</p> <ul style="list-style-type: none">(a) the number of requests which the licensee has received for each of the services referred to in paragraph 1(a);(b) the number of requests for each of the services referred to in paragraph 1(a) in respect of which the licensee has provided the requested service within the timescales set out in paragraph 2(a)-(e);(c) the number of requests for each of the services referred to in paragraph 1(a) in respect of which the licensee has not provided the requested service within the timescales set out in paragraph 2(a)-(e);(d) the amount (if any) paid for the purposes of refunding customers for failure to provide an accurate quotation;(e) the amount of compensation (if any) paid by the licensee for the purpose of compensating customers entitled to compensation under regulations made under section 33AA of the Act;(f) the number of times any payment caps specified under regulations made under section 33AA of the Act have been reached;(g) the results of any audit carried out under paragraph 7 above;

- (h) the number of gas connection requests under paragraph 1(a) that the licensee has identified as falling within the categories set out in paragraph 8;
 - (i) the number of calls received under paragraph 1(b) and the number of calls in respect of which the licensee has provided the requested service within the timescales set out in paragraph 2(f)(i) and 2 (f)(ii);
 - (j) the number of reports received under paragraph 1(c) that the licensee has identified as falling within the category set out in paragraph 2(g)(i) or 2(g)(ii) and the number of reports in respect of which the licensee has provided the requested service within the timescales set out in paragraph 2(g)(i) and 2(g)(ii) respectively;
- “standard quotation”** means a standard quotation (excluding a self-quote) that does not require a site visit; and
- “substantial completion”** means that the gas connection and the emergency control valve to the premises has been installed and commissioned.
- “uncontrolled gas escape or other uncontrolled gas emergency”** means any gas escape which is not considered a controlled gas escape or other controlled gas emergency.

Condition 4B: Connection Charging Methodology

1. Where any pipe is supplied and laid by the licensee in discharge of the duty imposed by section 10(2)(a) of the Act, for the purpose of connecting premises (“the premises concerned”) to a relevant main, the licensee may charge the person requiring the connection (“the person concerned”) in respect of the cost of supplying and laying the pipe and in respect of connecting the premises concerned to a relevant main.
3. The licensee shall by 1 April 2008 determine and comply with a connection charging methodology approved by the Authority showing the methods by which,

and the principles on which, (consistently with its duties under section 9 of the Act) -

- (a) where a connection is required in pursuance of subsection (2) of section 10 of the Act, charges in respect of the cost of connecting, supplying and laying a pipe or the expenses of the laying of a main are normally to be determined in different cases or circumstances;
- (b) where a connection is required in a case not falling within subsection (1)(a) or (b) of the said section 10 and the premises are not likely to be supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10 (subject to section 8A(1) of the Act, 2,196,000 kilowatt hours in any period of 12 months), the charges to be made for the connection, including charges for supplying and laying a pipe are to be determined;
- (c) where a connection or disconnection is required in the case of any premises likely to be, or which have been, supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10, the charges to be made for the connection or disconnection including, so far as appropriate, charges for supplying or laying a pipe or main and charges in respect of anything done or provided in connection with the connection or disconnection in different cases or circumstances are to be determined;
- (d) without prejudice to sub-paragraph (a), in the circumstances mentioned in subsection (10) of the said section 10 (read with any regulations under subsection (11) thereof), charges under the said subsection (10) are normally to be determined in different cases and circumstances;
- (e) where a connection is required to a pipe comprised in the pipe-line system to which this licence relates to enable gas to be introduced into, or taken out of that system, charges in respect of the connection are normally to be determined in different cases or circumstances; and
- (f) where a connection is required for works including, in particular, works to increase the capacity of a high pressure pipe-line and by way of the supply

and installation of a pipe-line, charges in respect of the connection are normally to be determined in different cases or circumstances.

4. The licensee shall, for the purpose of ensuring that the connection charging methodology continues to achieve the relevant objectives:
 - (a) review the connection charging methodology at least once in every year; and
 - (b) subject to paragraph 6, make such modifications (if any) of the connection charging methodology as are necessary for the purpose of better achieving the relevant objectives.
5. In paragraph 4 and below, the relevant objectives are that:
 - (a) compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
 - (b) compliance with the connection charging methodology facilitates competition in the supply of gas, and does not restrict, distort, or prevent competition in the transportation of gas conveyed through pipes;
 - (c) compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its transportation business and, where the Act enables, to charge a reasonable profit;
 - (d) so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's transportation business;
 - (e) compliance with the connection charging methodology ensures that the licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the pipe-line system to which this licence relates; and

- (a) the connection charging methodology is compliant with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

6. The licensee shall not make a modification to the connection charging methodology unless it has furnished the Authority with a report setting out:

- (a) the terms proposed for modification;
- (b) how the proposed modification would better achieve the relevant objectives; and
- (c) a timetable for implementing the modification and the date with effect from which the modification (if made) is to take effect, being not earlier than the date on which the period referred to in the sub-paragraph below will expire,

provided that where the licensee has complied with the requirements above, it will not make any modification to the connection charging methodology where the Authority has within 30 working days (or within four months if the Authority intends to undertake an impact assessment) of the report being furnished to it under sub-paragraph (b) given a direction to the licensee that the modification shall not be made. The time periods in this paragraph are paused for the duration of any interruption periods as defined in paragraph 6B which relate to the proposed modification.

7. The licensee shall give the Authority notice of any reports referred to in paragraph 6 which it has decided to furnish to the Authority together with a summary of the proposed modification, and shall use reasonable endeavours to do so at least 28 days before the report is furnished.

8. The Authority may in writing ask the licensee to provide any further information necessary to complete its assessment of any reports provided under paragraph 6. On each occasion when such a request is made by the Authority, the time periods of 30 working days and four months in paragraph 6 are interrupted starting from the date of the request and ending on the date when the Authority in writing informs the licensee that it is satisfied the information provided complies with the request (an “interruption period”).

9. The licensee shall, before making the modification:

- (a) revise the connection charging methodology so that it sets out the changed methods and principles and specifies the date from which it is to have effect; and
- (b) furnish the Authority with a copy of the revised connection charging methodology.

10. The licensee shall -
- (a) publish the connection charging methodology under paragraph 3 or 7 in such manner as will secure adequate publicity for it and, in the case of a connection charging methodology furnished under paragraph 7, shall so publish it before the effective date thereof;
 - (b) publish with any such connection charging methodology so published a statement that any complaint in respect of a charge to which the connection charging methodology relates, if not resolved between the licensee and the complainant, may be referred to the Authority by letter addressed to the Authority at an address specified in the statement; and
 - (c) send a copy of any such connection charging methodology and statement so published to any person who asks for one.
11. The licensee shall prepare and furnish the Authority with a statement, or revision or amendment of a statement, which:
- (a) sets out the basis on which charges will be made for the provision of connections to the pipe-line system to which this licence relates;
 - (b) where appropriate and practicable, is in such form and with such details and examples as are necessary to illustrate to any person requiring a connection how charges are applied for different categories of connection; and
 - (c) is in accordance with connection charging methodology.
12. The licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the licensee's pipe-line system.
13. The licensee shall:
- (a) publish the statement under paragraph 9 in such manner as will secure adequate publicity for it; and
 - (b) send a copy of any statement under paragraph 9 to any person who asks for one.
14. References in this condition to charges exclude references to supplemental charges within the meaning of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges).

15. The licensee shall establish, and keep up to date, a register (or separate registers for different areas) of pipes which have vested in it and become its property by virtue of section 10(6) of the Act and fall within section 10(13)(b) but have not been declared relevant mains under section 10(13) thereof; and an entry in the register in respect of a particular pipe-
 - (a) shall contain sufficient particulars to enable the pipe to be identified;
 - (b) shall be made within 28 days of the pipe vesting in, and becoming the property of, the licensee; but
 - (c) shall be deleted, as soon as is reasonably practicable, if the pipe in question is subsequently declared a relevant main under the said section 10(13).
16. The licensee shall make arrangements for a copy of the said register (or of the information contained therein) to be available for inspection, electronically, where possible at reasonable times, if it has area offices, at those offices or, if it has not, at its principal office; and, for the purposes hereof, “area office” means one which is fixed for an area for the purposes of section 46(3) of the Act.
17. In this condition, any reference to the making of a charge -
 - (a) in relation to the supplying or laying of a pipe in pursuance of section 10(2)(a) of the Act, is a reference to requiring that the person requiring the connection defrays the whole or a part of the cost thereof;
 - (b) in relation to the laying of a main used for the purpose of making a connection and in the circumstances mentioned in section 10(7) of the Act, is a reference to requiring, in pursuance of regulations under that provision, that the person requiring the connection pays an amount in respect of the expenses of the laying of the main; and
 - (c) in the circumstances mentioned in subsection (10) of section 10 of the Act (read with any regulations under subsection (11) thereof), is a reference to requiring the person requiring a connection to be made or maintained in pursuance of subsection (2) or (3) of the said section 10 to make such payments as are mentioned in the said subsection (10),and cognate expressions shall be construed accordingly.