

August 2002

**Transco price control and NTS SO
incentives 2002-07**

**Log of changes to the proposed licence
modifications**

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1. Introduction

- 1.1 On 12 April 2002, the Gas and Electricity Markets Authority (“the Authority”) published a notice (“the Original Notice”) under section 23 of the Gas Act 1986 (“the Gas Act”) proposing modifications to the gas transporter licence held by Transco plc (“Transco”) treated as granted under section 7 of the Gas Act. The Original Notice was divided into two parts – Part A which related to the price control changes generically and Part B which related to the disclosure of system operation information and the ability of third parties to raise modifications to the Network Code. The purpose and effect of the proposed modifications were explained in the Original Notice and the Explanatory Note published on the same day¹. The statutory consultation closed on 24 May 2002. The documents (and the documents referred to in the Original Notice) are available from the Ofgem website (www.ofgem.gov.uk).
- 1.2 Prior to the end of the statutory consultation in respect of the Original Notice, the Authority received 24 responses (excluding Transco’s). None were marked confidential so all of them have been placed in Ofgem’s Research and Information Centre. Overall, the responses received were supportive of Ofgem’s proposed modifications.
- 1.3 The Authority has carefully considered the responses received and, following further discussions with Transco and other interested parties, has identified a number of changes to the modification proposed under the Original Notice. The Authority has considered the nature and extent of these changes and has concluded that it has the power to direct that the modifications be made under section 23(6) of the Gas Act without further consultation. However, the Authority has considered the fact that several of the respondents suggested that in the event that the Authority decided to make changes to the modifications, as originally consulted upon, then there should be a further consultation. Having regard to these responses, the Authority has concluded that, in this case, it would be appropriate to reconsult. However, the Authority has decided to restrict this second consultation to those proposed licence modifications contained in Part A only of the Original Notice. The Authority has, therefore,

¹ *Transco’s price control and NTS SO incentives 2002-7, Explanatory note to accompany the section 23 notice of proposed modifications to Transco’s gas transporter licence*, Ofgem, April 2002.

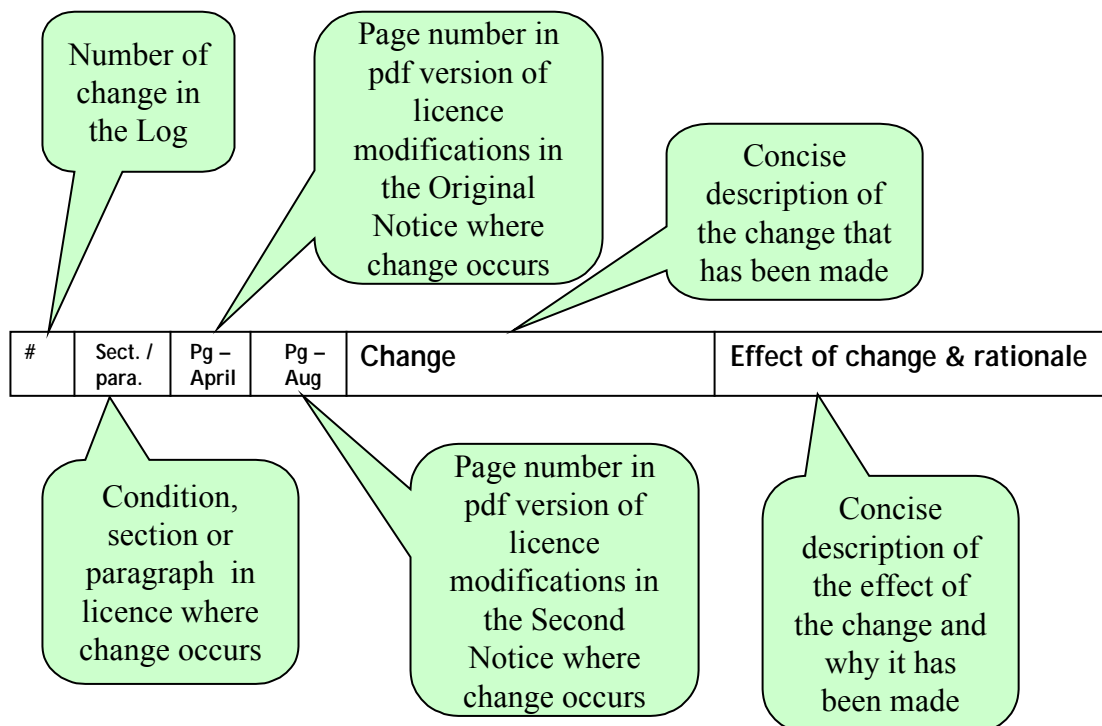
today issued a further notice under s23 of the Gas Act (“the Second Notice”) in respect of Part A of the proposed modifications to Transco’s gas transporter licence to introduce from 1 April 2002: the National Transmission System (NTS) Transmission Asset Owner (TO), and Local Distribution Zone (LDZ) revenue restrictions, the metering tariff caps and the NTS System Operator (SO) incentive arrangements. No assumption should be drawn from this that the Authority would consult again in such circumstances in future. Although the Part B modifications have been included in the Second Notice, the Authority is not reconsulting on Part B as the changes to Part B merely correct cross-references and do not require further consultation. The Part B proposed licence modifications have been included in the Second Notice for information purpose only so that respondents can consider the proposed changes to Transco’s licence as a whole.

- 1.4 In order to assist respondents to comment to the proposed licence conditions in the Second Notice, we have prepared the following log (“the Log”).
- 1.5 The Log contained in this document records the changes that have been identified and made to the proposed licence modifications as published in the Original Notice. The purpose of the Log is to allow respondents to compare the proposed modifications published by Ofgem in the Original Notice with those published in the Second Notice published by the Authority today². It should, however, be noted that the Log has been prepared as a reference tool and does not affect the content of the Second Notice and the modifications proposed under it.

² *Transco price control and NTS SO incentives 2002-07: Proposed licence modifications*, Ofgem, April 2002, *Transco price control and NTS SO incentives 2002-07: Proposed licence modifications*, Ofgem, August 2002

1.6 The components of the Log are explained in Figure 1 and users of this Log should first familiarise themselves with these components.

Figure 1: Guide to the log of changes



2. Log of changes to the proposed licence modifications

2.1 **Note:** where the ordering of definitions has been altered to ensure consistency with the order in which terms appear in an equation but the definitions themselves have not changed, these changes have not be included in the Log. Equally, most formatting changes e.g. changes in the extent of indentation, have not been included in the Log.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
Proposed amendments to Standard Condition 9					
1	9	3	3	Insert word “Amended” before “Standard Condition 9” in title.	This change ensures the cross-reference is to the correct standard condition.
2	9(16)	4	4	Include reference to 5(e), change reference from 6(c)(i) to 6(b)(i) and delete reference to 9(a)(iii).	This change ensures the cross-reference is to the correct sub-paragraph.
Special Condition 26: Prohibited procurement activities					
3	26(3)	5	5	In definition of “balancing management”, insert the words “but is not necessarily limited to” after the words “such management includes”.	A respondent suggested that it was not clear if the list of services subsequently specified was exhaustive or not. This change provides clarity that the list provided in the sub-paragraph is not exhaustive and ensures consistency with the intent of the Original Notice and Explanatory Note.
4	26(3)(iii)	6	6	Insert the word “for” after the word “capacity”.	This change inserts a missing word and thereby corrects the grammar of the sentence.
5	26(3)(iii)	6	6	In the definition of “constraint management” words “within the NTS” can be deleted.	A respondent suggested that capacity rights were incorrectly defined as these rights are to put gas onto or take gas off the NTS rather than being “within” the NTS. In addition, the reference to “the NTS” is superfluous as the definition of capacity

Log of changes					
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					rights correctly recognises their use with regard to the NTS.
6	26(3) (iii)	6	6	In the definition of “transportation commodities” words “to put gas...NTS” can be deleted. Word “capacity” to be inserted before “rights”.	As above (Change 5), using the defined term of “capacity rights”, renders the additional phrases concerning what the capacity right relates to superfluous. This change, therefore, removes the redundant words.
Special Condition 27: Licensee’s procurement and use of system management services					
7	27 (3)	7	7	Replace “July” with “October”.	This change ensures that the obligation to produce the first statement is applied prospectively rather than retrospectively and therefore ensures that the obligation remains live on introduction of the proposed licence condition (subject to the outcome of the consultation).
8	27 (5)	7	7	Replace “July” with “October”.	This change ensures that the obligation to produce the first statement is applied prospectively rather than retrospectively and therefore ensures that the obligation remains live on introduction of the proposed licence condition (subject to the outcome of the consultation).
9	27 (6) (b) (iii)	8	8	Replace “July” with “October”.	This change ensures that the obligation to produce the first statement is applied prospectively rather than retrospectively and therefore ensures that the obligation remains live on introduction of the proposed licence condition (subject to the outcome of the consultation).
10	27 (13) (c)	12	12	Delete sub-paragraph (c). Re-letter following sub-paragraphs.	The system management services covered by sub-paragraph (c) are a subset of those specified in sub-paragraph (b). Consequently, sub-paragraph (c) is redundant and for clarity this change deletes it..
11	27	13	12	In the definition of “constraint management services” words “within	This is a consistency change that flows from Change

Log of changes					
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	(15)			the NTS" can be deleted.	6 above.
Special Condition 28(A) Revenue restriction definitions					
12	1	15	14	Introduce a definition of "allocation" as follows : "means any process by which entry capacity or NTS exit capacity may be allotted by or on behalf of the licensee in accordance with the licensee's Network Code".	It was suggested that the meaning of "allocation" was ambiguous. This change introduces a defined term into the licence to add clarity to the references to "allocations" in the proposed modifications.
13	1	15	14	In definition of "annual obligated incremental entry capacity", replace words "has been permitted" with "is required".	This change has been introduced to ensure that the nature of Transco's obligations in relation to annual obligated incremental entry capacity are clear.
14	1	18	17	Replace "licensee" with "licensee's" in definition of NTS.	This change corrects the grammar of the sentence.
15	1	20	19	Add to the title of the definition for "NTS transportation owner activity" the words "or NTS TO activity".	This change introduces consistency with the drafting conventions used for the "NTS SO activity" definition and introduces the term which is cross-referred to in other definitions.
16	1	21	20	In definition of "obligated incremental entry capacity", replace words "has been directed" with "is required".	This change has been introduced to ensure that the nature of Transco's obligations in relation to obligated incremental entry capacity are clear.
17	1	21	20	In definition of "permanent obligated incremental entry capacity", replace words "has been directed" with "is required".	This change has been introduced to ensure that the nature of Transco's obligations in relation to permanent obligated incremental entry capacity are clear.
18	1	22	21	In definition of "small interruptible user quantity", delete words "as is in effect on 1 April 2002".	This change ensures that the reference is kept live rather than being static and that any subsequent relevant changes to the Network Code are reflected in the licence.
19	1	24	23	Add in word "quantity" after words "very large user" in the term to be defined.	This change inserts a missing word and thereby corrects the reference to the term that is defined.
20	2	24	23	Add to the end of paragraph the words "after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived".	A respondent argued that under proposed modifications in the Original Notice, it was unclear if the values referred to were inclusive or exclusive of VAT. This change makes it clear that the

Log of changes					
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					calculations should exclude VAT.
Special Condition 28(B) Restriction of revenue conditions					
<i>Special Condition 28(B)Part 1(a): The NTS transportation owner activity revenue restriction</i>					
21		25	24	Change title of SC28(B) to: “Restriction of revenue in respect of NTS transportation owner activity, LDZ transportation activity and NTS system operation activity”.	This change makes it clear that the Special Condition includes the LDZ price control and the NTS SO incentives.
22	2(1)a	27	26	In $TOEXR_t$ formula, change $ExNTSSIC_t$ to $TOExNTSSIC_t$	This change is introduced to facilitate a subsequent change in definition (see Change 26 below).
23	2(1)a	27	26	$TOExRF_t$ should be calculated as: $TOEx_t \times \text{Min} [TOBFEx_t / TOTFEx_t , 1]$	Under the proposed modifications in the Original Notice, if baseline firm exit capacity was greater than actual exit capacity ($TOBFEx_t > TOTFEx_t$), the calculation of the firm exit capacity revenue allocated to the NTS TO would have been ratcheted upwards even though the actual firm exit revenue earned by Transco would not. To ensure that this cannot happen, this change introduces a minimum term so that, as intended under the Original Notice and Explanatory Note, in these circumstances the TO revenue will remain calculated on the basis of baseline firm entry capacity.
24	2(1)a	27	26	$TOBFEx_t$ definition – delete words “volume in GWh/day of” and “and shall have...schedule A”.	The definition refers to a defined term (NTS baseline entry capacity), which renders the deleted words redundant. This change, therefore, removes them.
25	2(1)a	27	27	$TOTFEx_t$ definition – add following words to definition after “by shippers” - “on 15 January”	A respondent noted that the definition under the proposed modifications in the Original Notice did not specify when to measure the capacity. This change corrects this by specifying a day on which Transco will measure registered capacity.
26	2(1)a	28	27	Add in definition of $TOExNTSSIC_t$: “means the accrued value in respect of charges foregone by the licensee as a result of NTS exit capacity curtailment rights and shall be	Under the proposed modifications in the Original Notice, there was concern that an increase in interruptible capacity on Transco’s system would

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				<p>derived from the following formula: $TOExNTSSIC_t = ExNTSSIC_t \times \text{Min} [SOBIEx_t / SOTIEx_t , 1]$ where: $ExNTSSIC_t$ has the meaning given to that term in paragraph 14(6)(h) of Part 2 of this Special Condition;</p> <p>$SOBIEx_t$ means the NTS baseline interruptible exit capacity in respect of formula year t; and</p> <p>$SOTIEx_t$ means the total volume in GWh/day of NTS capacity registered by shippers in respect of which the licensee has NTS exit capacity curtailment rights on 15 January of formula year t.”.</p>	<p>lead to a greater payment to the NTS TO through the $ExNTSSIC$ term – thereby lowering firm NTS TO charges. The policy intent was that the NTS TO regime should be kept whole and untouched from Transco responding to the NTS SO incentives to expand capacity. This change is designed to ensure that expansions of interruptible entry capacity will not have any impact on NTS TO charges.</p>
27	5(3) (iii)	34	35	Replace cross-reference (4) with (5).	This is a consequential change needed to accommodate Change 28 below.
28	5	34	35	Add in new paragraph 4: “The licensee may withdraw a disapplication request at any time”.	The policy intent is that all of the disapplication conditions across the different controls (NTS TO, LDZ and NTS SO) should be consistent and that Transco should be allowed to withdraw a disapplication request. Introducing this change ensures that this policy intent is delivered and that there is consistency between the relevant conditions.
<i>Special Condition 28(B)Part 1(b): The LDZ transportation activity revenue restriction</i>					
29	7	37	37	Replace “means the....LDZ transportation activity excluding” with “shall have the meaning given to that term in Special Condition 28A (Revenue restriction definitions) and for the avoidance of doubt shall exclude”.	Two similar definitions of LDZ transportation activity revenue were used between Special Condition 28A and 28B. This change ensures consistency between these two conditions, which was the original intention.
30	8(1)	39	39	Remove words “as defined in...Special Condition” from definitions of B_t , D_t , and V_t	This change removes cross–references to a clause that does not define these variables (it specifies the

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					method by which they should be calculated).
31	8(2)	41	41	In definition of “mains RPI” add word “published” after “retail price index numbers” in line 6.	This change corrects the grammar of the statement by inserting a missing word into the sentence.
32	8(2)	42	42	Add a closing bracket - “)” - after word “(PVC)” in definition of non-standard mains.	This change corrects a typing error by putting in a missing closing bracket “)”
33	8(3)	42	42	In definition of $L_{n,t}$ add in words “in kilometres” after words “length of mains”.	This change adds clarity by specifying the units of measurement of the defined term.
34	8(3)	43	43	Replace “ $I_{n,t}$ ” with “ $L_{n,t}$ ” in the definition of the summation term.	This change correct a typographical error in the original draft, by ensuring that the term in the definition refers to a term used in the equation.
35	8(3) (b)	43	43	Replace “On or before 31 July in respect of any” with “by 31 July 2003 and by 31 July in each subsequent”	This change is a consistency change and ensures a consistent use of this phrase in the proposed modifications.
36	8(4)	45	45	In definition of S , S needs a subscript t and “formal” should be replaced with “formula”.	This change ensures the term in the definition refers to a term in the equation by correcting a typing error. The second change corrects a spelling error.
37	9	46	45	In the title, replace “Definitions” with “Calculation of quantities”.	The paragraph outlines the method by which the various user quantities will be calculated rather than defining the terms. This change ensures that the title more correctly describes the subject of this paragraph.
38	10(3)	47	47	Replace “reasonable” with “reasonably”.	This change corrects the grammar of the sentence.
39	10(5)	47	47	Insert the word “to” after the word “correct”.	This change corrects the grammar of the sentence
40	11(3) (iii)	48	48	Replace cross-reference (4) with (5).	This is a consequential change needed to accommodate Change 41 below.
41	11	48	48	Add in new paragraph 4: “The licensee may withdraw a disapplication request at any time”.	The policy intent is that all of the disapplication conditions across the different controls (NTS TO, LDZ and NTS SO) should be consistent and that Transco should be allowed to withdraw a disapplication request. Introducing this change ensures that this policy intent is delivered and that

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					there is consistency between the relevant conditions.
<i>Special Condition 28(B) Part 2: The NTS system operation activity revenue restriction</i>					
42	12(3)	50	50	Reference to 5% changed to 6%.	The policy intent is that all of the triggers in the general “k” conditions across the NTS TO, LDZ and NTS SO controls within the proposed licence modifications should be consistent. Making this change ensures consistency with the NTS TO and LDZ conditions.
43	13(2)	52	52	Insert into REVOIEC and REVIEC definition word “incremental” before “entry capacity”.	This change ensures the use of a defined term.
44	13(3)	53	53	Delete following words from definition of RNC ₁ – “and capacity neutrality charges both” and change phrase “those terms” to “that term”.	A respondent suggested that the original drafting could have lead to double counting because the components of the capacity neutrality charge are picked up in the terms SORCAP, RCOR and RCOM. This change ensures no double counting will occur.
45	14(1)	54	54	Change reference from paragraph “13” to paragraph “12”.	This change corrects an incorrect cross-reference.
46	14(1)	54	54	Insert “t” after “formula year” in the first paragraph.	This change inserts a missing word and ensures that the correct year is used for calculation.
47	14(3)	56	56	CNIC definition – remove words “as at 1 April 2002”.	This change ensures that the reference is kept live (rather than static) and that changes to the Network Code that involve the introduction of any new costs related to second capacity adjustment neutrality amount will be picked up without a licence change.
48	14(3)	57	56	RBIC ₁ definition – remove words “version 2.27”.	This change ensures that the reference is kept live (rather than static) and that changes to the Network Code that involve the introduction of any new charges related to imbalances will be picked up without a licence change.

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<i>Section 28(B) Part 2 paragraph 14(5): Entry capacity investment incentive</i>					
49	(a)	60	60	Add into the expansion of IPOEC " +".	This change adds in a missing term into the expansion of the summation and so adds clarity to the explanation of what the summation is doing.
50	(a)	60		Delete definition of MIN(x,y).	This change deletes an unnecessary definition since the term is not included in the preceding equation.
51	(b) (ii)	62	62	Correct the spelling of "determining"	This change corrects a spelling error.
52	(b) (iii)	63	63	Insert word "incremental" after words "available obligated" and before words "entry capacity".	The intention was to refer to the defined term "obligated incremental entry capacity". This change ensures that this is the case.
53	(b) (iii)	63	63 64	Move sub-sub-paragraph (cc) to the end of sub-paragraph (b)(iii) so that it becomes sub-sub-paragraph (jj).	A respondent suggested that the proposed modifications in the Original Notice were unclear about the exact nature and extent of the auditors' review. This change removes uncertainty over what the auditors' statement covers by making it clear that the audit will cover all the contents of the proposal.
54	(b) (iii)	64	64	Add in new sub-paragraph (before the sub-paragraph (jj) created by Change 53 above) "(ii) The day on which the obligation to offer for sale such capacity would commence; and".	A respondent argued it was unclear on what day the obligation to offer incremental capacity for sale would begin. To clarify this, the draft has been amended to require (as intended) Transco, as part of a proposal, to specify the day on which the obligation to offer the incremental capacity for sale would commence.

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55	(b) (vi)	64	64	<p>Replace the existing (b)(vi) with the following:</p> <p>“(vi) Where the licensee’s calculations pursuant to its incremental entry capacity release methodology demonstrate that all the relevant criteria as specified in its incremental entry capacity release methodology for releasing incremental entry capacity have been met, the licensee shall implement the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition in accordance with the timetable set out in that proposal commencing 5 business days from receipt by the Authority of written application under paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, unless the Authority notifies the licensee in writing before that date to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition contained insufficient information for it to determine whether the relevant criteria as specified in its incremental entry capacity release methodology have been met.”</p>	<p>As outlined in Change 54 above, a respondent argued that it was unclear in certain circumstances when the obligation to offer for sale would begin. This change and the next (Change 56) help to add clarity to the drafting by setting out the timing and conditions under which a proposal would become agreed. This change together with Change 56 (below) set out how the timetable for Transco to implement a proposal is determined and the circumstances under which the Authority will suspend the implementation of a proposal.</p>

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56	(b) (vii)	64	65	<p>Add in new sub-paragraph (b)(vii):</p> <p>“(vii) Where the Authority has notified the licensee under paragraph 14(5)(b)(vi) in Part 2 of this Special Condition to suspend implementation of the proposal the licensee shall implement the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, subject to any amendments which may have been agreed between the licensee and the Authority, in accordance with the timetable set out in that proposal commencing 28 days from receipt by the Authority of written application under paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, unless the Authority directs the licensee in writing before that date not to implement the proposal or prior to the end of the 28 days the Authority directs the licensee in writing to implement the proposal (subject to any amendments as may have been agreed with the Authority) at an earlier date.”</p>	<p>The context for this change is set out in the rationale for the previous change (Change 55). This change sets out the timetable for implementation of a proposal that has been subject to a suspension.</p>
57	(b) (viii)	64	65	<p>Replace the existing (b)(vii) with the following new sub-paragraph (b)(viii):</p> <p>“(viii) Pursuant to a proposal made by the licensee under paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, and implemented in accordance with paragraph 14(5)(b)(vi) or (vii) in Part 2 of this Special Condition, as the case may be, the licensee shall treat as:</p> <p>(aa) permanent obligated incremental entry capacity that capacity which it has proposed to offer for sale in respect of every day of a period of five years or more; and</p> <p>(bb) annual obligated incremental capacity that capacity which it has proposed to offer for sale in respect of every day of a period of less than five years,</p> <p>and shall be obliged to offer such capacity for sale from the date specified in such proposal (as may have been amended in accordance</p>	<p>It was suggested that the proposed modification in the Original Notice could have been interpreted to mean that the Authority was able to direct Transco to implement a proposal different to that which it had submitted. This change clarifies that this was not the policy intent (except to the extent that an amendment to a proposal has been agreed with Transco).</p> <p>This change also removes references to the Authority directing that the incremental entry capacity that formed the subject of a proposal be treated as non-obligated. This change, together with Changes 55 and 56 (above) and Change 59 (below) make such directions redundant.</p>

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				with paragraph 14(5)(b)(vii) in Part 2 of this Special Condition) in accordance with paragraphs 14(5)(c) and 14(5)(f) in Part 2 of this Special Condition.”	
58	(b) (ix)	65	65	Add in new sub-paragraph (b)(ix) “(ix) The licensee may withdraw a proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition within 5 business days from receipt by the Authority of that proposal. Where the Authority has notified the licensee under paragraph 14(5)(b)(vi) in Part 2 of this Special Condition to suspend implementation of the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, the licensee may withdraw such a proposal within 28 days from the receipt by the Authority of that proposal unless the Authority has otherwise directed the licensee to implement the proposal; and”.	Transco requested that it be able to withdraw a proposal prior to a direction by the Authority. This change provides Transco with that discretion in line with other such conditions in the licence.
59	(b) (x)	65	66	Add in new sub-paragraph (b)(x) to replace sub-paragraph (b)(vii)(c): “(x) For the avoidance of doubt where the Authority has made a direction not to implement the proposal under paragraph 5(b)(vii) in Part 2 of this Special Condition the licensee shall remain entitled to make available firm entry capacity additional to the then current level of obligated entry capacity and any such additional firm entry capacity sold by the licensee shall be treated as non-obligated incremental entry capacity.”	This change clarifies that Transco can, but does not have to, make available non-obligated incremental entry capacity including capacity in respect of which it has unsuccessfully submitted a proposal for the said capacity to be treated as obligated incremental entry capacity.
60	(c)(i)	65	66	Replace “October” with “November”.	This change ensures that the reasonable endeavours obligation to hold long term auctions is consistent with the new timetable for directing the implementation of the licence (subject to the outcome of the consultation).
61	(c)(i)	65	66	Insert “NTS SO” after the words “long term”.	This change inserts a missing word to ensure that

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					the reference is to the defined term.
62	(c)(ii)	65	66	Delete “in respect of that formula year”	A respondent suggested that the proposed modification in the Original Notice could be interpreted to mean that the sale of the capacity must occur in the year the capacity would be used. This is not the policy intent and this change provides clarity that capacity can be sold in advance of the year.
63	(c)(ii)	65	66	Replace “unsold...having” with “obligated entry capacity in at least one clearing allocations such allocation or allocations having” and add words “ the licensee shall allocate capacity in accordance with the provisions of amended standard condition 4A(5)(aa)(ii) (Charging Gas Shippers – General) at the end of the paragraph.	A respondent suggested that the proposed modification in the Original Notice could be interpreted to mean that the obligation refers to all unsold obligated entry capacity – regardless of whether it has been allocated in a clearing allocation or not. This change ensures that Transco will only have an obligation in respect of capacity for which it has already fulfilled its obligations.
64	(c)(iii)(aa)	66	67	Replace the words “one or more” with “at least one”.	This change is intended to clarify the extent of the obligation.
65	(c)(iii)(aa)	66	67	After “clearing allocation” add words “(for the avoidance of doubt where a clearing allocation would contravene the provisions of amended standard condition 4 (Charging Gas Shippers – General) the licensee shall allocate such capacity in accordance with the provisions of amended standard condition 4A(5)(aa)(ii) (Charging Gas Shippers – General)”.	A respondent suggested that the proposed modification in the Original Notice would have required recalled capacity to be offered in a clearing allocation irrespective of whether or not this was consistent with amended standard condition 4A(5)(aa)(ii). The intended policy is that any recalled capacity should be subject to the same obligations as baseline capacity. This change ensures clarity in this respect.
66	(c)(iii)(aa)	66	67	Delete “B5.4” and replace with “B (System use and capacity)” and delete the reference to the Network Code “as at 1 April 2002”.	This change ensures that the reference is kept live (rather than static) and that changes to the Network Code that involved the introduction of any new

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					paragraphs in Section B would not require a licence modification.
67	(c) (iii) (bb)	66	67	Delete word “clearing” from the paragraph.	A respondent suggested that the proposed modification in the Original Notice could mean that Transco would only have to agree a revenue treatment for that capacity sold in a clearing allocation. This change is designed to ensure that Transco will agree a revenue treatment for all capacity sales, not just those that occur in clearing allocations.
68	(c) (iv)	66	67	Delete word “its” and replace with “the allocations”.	A respondent suggested that it was not clear what the “its” referred to and this change is designed to make it clear that it refers to the allocations.
69	(c)(v)	67	68	Add word “incremental” between “obligated” and “capacity”.	This change inserts a missing word to ensure that this refers to the correct defined term.
70	(c)(v)	67	68	Remove reference to 14(5)(c)(i).	This changes removes an unnecessary reference as that sub-paragraph (which refers to the obligation to introduce long-term auctions) is irrelevant to the calculation of revenue that is the subject of this sub-paragraph.
71	(c) (vi)	67	68	After “REVOIEC _t ” add in words “or SOREVOIEC _t ” and delete “in accordance with...Condition”.	This change ensures that the treatment of disqualified revenue is consistent with the policy of not including it as incentive revenue since SOREVOIEC refers to the incentive revenue.
72	(d)	67	68	Insert “at terminal j” after “formula year t”.	This change is designed to ensure that the definition accurately reflects the subscripts attached to the variables.
73	(d)	67 68	68 71	In the formula for SOREVOIEC, subtract $DQREV_t^j$ from	This change ensures that disqualified revenue is excluded from the calculation of the incentive revenue (see also Change 71 above). To achieve this, it is necessary to breakdown $DQREV$ into

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
				$\sum_{m=12t-11}^{12t} \left(\sum_{\text{all } d} \sum_{w=1}^{O^d} \text{REVOIEC}_{m,d,w}^j \right)$ <p>Insert definition of:</p> <p>“DQREV_t^j means the sum of all revenue derived by the licensee in formula year t from the sale of obligated incremental entry capacity in respect of terminal j that has not been taken into account in the calculation of REVOIEC_t pursuant to paragraph 14(5)(c)(vi) of Part 2 of this Special Condition”.</p>	terminal specific values.
74	(d)	70	71	In the expansion of the REVOIEC summation, replace the subscripts “m,d,0” with “m,d,1” and “m,d,1” with “m,d,2”.	This change corrects a typing error in the expansion of the summation.
75	(e)	70	71	In the definition of CAPOIEC, the inflation term should be R _t /R ₀ .	A typing error in the proposed modifications in the Original Notice meant that this term would always take the value of 1 and therefore not provide an adjustment for inflation. This change corrects this and allows for the correct inflation adjustment to be applied and delivers the original intent.
76	(e)	70	71	In the CAPOIEC equation, the subscript for OSELL should be “m,d,0” not “m,d,o”.	This change corrects a typing error in the subscript.
77	(e)	70	71	In the CAPOIEC equation, the term “× UCACAP _t ^j ” should appear outside all the brackets	This change clarifies the equation (although mathematically the change does not alter the result). Since UCACAP does not vary by day (d) or month (m), it does not need to be included in the summation over these variables.
78	(e)	71	72	Insert “of each day” before “of formula year t” in the definition of UCACAP _t ^j .	This change is designed to ensure that it is clear that UCACAP is a daily value.
79	(f)	72	74	In title of paragraph, delete “unsold” and insert “for which the licensee	The policy intent is that the obligation should relate

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				still has an obligation to offer for sale” after “capacity”.	to capacity that Transco still has an obligation to offer for sale rather than unsold capacity. It was suggested that the title in the proposed modification in the Original Notice was ambiguous. This change clarifies the intention of the sub-paragraph.
80	(f)(i)	72	74	In title of (f)(i) delete “unsold” and insert “for which the licensee still has an obligation to offer for sale” after “capacity”.	The policy intent is that the obligation should relate to capacity that Transco still has an obligation to offer for sale rather than unsold capacity. It was suggested that the title in the proposed modification in the Original Notice was ambiguous. This change clarifies the intention of the sub-paragraph.
81	(f)(i)	72	74	Delete “unsold” before “obligated”.	The policy intent is that the obligation should relate to capacity that Transco still has an obligation to offer for sale rather than unsold capacity (see Changes 79 and 80 above).
82	(f)(i)	73 74	75 76	<p>Replace the definitions of OMET, CAPSALE and CAPOFFER.</p> <p>Replace definition of $OMET_{m,d,W}^j$ from “in a clearing allocation” onwards with:</p> <p>“On the 1 April 2002:</p> $OMET_{m,d,W}^j =$ $\text{Min}[(CAPOFFER_{m,W}^j + CAPSALE_{m,d,W}^j),$ $(TOEC_{m,W}^j - \text{Min}(PRIORSELL_{m,d}^j, TOEC_{m,W}^j))]$ <p>Otherwise</p>	A respondent suggested that the algebra did not allow Transco to hold multiple allocations on one day where some were clearing allocations and others were not or to fulfil obligations to offer for sale capacity on the same day that those obligations began. This was not the intention of the drafting and this change is designed to provide this additional flexibility.

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				$\text{OMET}_{m,d,W}^j \text{ OMET}_{m,d,W}^j = \text{Min}[(\text{CAPOFFER}_{m,d,W}^j + \text{CAPSALE}_{m,d,W}^j),$ $\left(\text{TOEC}_{m,W}^j - \sum_{\varpi=W+1}^{Q^d} \text{OMET}_{m,d,\varpi}^j - \text{Min}(\text{PRIORSEL}_{m,d}^j, \text{TOEC}_{m,W}^j) \right)]$ <p>In definition of: CAPOFFER_{m,d,W}^j change “allocation” to “allocations” and replace subscript “w” with “W”; CAPSALE_{m,d,W}^j change “an allocation” to “allocations other than clearing allocations”;</p> <p>In definition of: $\sum_{\varpi=W+1}^{Q^d} \text{OMET}_{m,d,\varpi}^j$ replace “W” with “ϖ”</p> and replace the term on the right hand side of the equation with: “OMET _{m,d,(W+1)} ^j + OMET _{m,d,(W+2)} ^j + + OMET _{m,d,Q^d} ^j ”.	
83	(f)(ii)	75	77	Delete “unsold” from the title.	It was suggested that the nature of this obligation was unclear in the proposed modifications in the Original Notice. The obligation does not relate to unsold capacity, but rather relates to capacity that Transco still has an obligation to offer for sale. This change clarifies the intention of the sub-paragraph.

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84	(f)(ii)(a)	75	77	Replace “firm” with “obligated” on the second line of the obligation .	The change ensures the use of the correct defined term.
85	(f)(ii)(a)	75	77	Delete “,(subject to amended standard condition 4, (Charging Gas Shippers – General)” and add to the end of the sentence “for the avoidance of doubt, where such an allocation would contravene the provisions of amended standard condition 4 (Charging Gas Shippers – General) the licensee shall allocate such capacity in accordance with the provisions of amended standard condition 4A(5)(a)(ii) (Charging Gas Shippers – General)”.	This is a consistency change to ensure consistent use of terminology within the proposed modifications.
86	(g)	76	79	Definition of IPOEC – delete words “in respect of month” and replace with “which is first delivered in month” and after (m-p) add in “and in respect of which the obligation to offer such capacity for sale commenced”. Insert same change into subsequent IAOEC definition.	This change is designed to clarify when Transco’s obligations in respect of permanent or annual obligated incremental entry capacity begin. This change also clarifies the definition of “W” i.e. specifies it as a particular day, so that the licensee knows when to start measuring the volume of capacity under which it has an obligation to sell.
87	(g)	78	79	Replace subscript m with (m-p) in the definition of IPOEC.	This change corrects a typing error and ensures that the term being defined is the one used in the previous equation.
88	(g)	78	80	Insert the following definition: $\sum_{p=60W=0}^{(m-1)} \sum_{Q=1}^{Q^1} (\text{IPOEC}_{(m-p), W}^j)$ means the sum across all permanent incremental obligated entry capacity in respect of terminal j, for which the first month to which it relates is month (m-p), that the licensee has undertaken to offer for sale or sell as at W days prior to the first day of month m (provided that month (m-p) is not prior to April 2002) and shall be calculated in the following manner:	This change inserts a missing definition for completeness of the drafting.

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				$\sum_{p=60}^{(m-1)} \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j) = \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-60),W}^j) + \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-61),W}^j) + \dots + \sum_{W=0}^{Q^1} (\text{IPOEC}_{1,W}^j)$ <p>where $\sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j)$ means the sum across all days W between the first day of the first month to which such capacity relates and 1 April 2002 of $\text{IPOEC}_{(m-p),W}^j$ and shall be calculated in the following manner: $\sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j) = \text{IPOEC}_{(m-p),0}^j + \text{IPOEC}_{(m-p),1}^j + \dots + \text{IPOEC}_{(m-p),Q^1}^j$”</p>	
89	(g)	78 79 80	81 82	<p>Replace the separate expansion of the summations of $\sum_{p=0}^{\text{MIN}((m-1),59)} \sum_{W=w}^{Q^1} (\text{IPOEC}_{(m-p),W}^j)$ and $\sum_{p=0}^{\text{MIN}((m-1),11)} \sum_{W=w}^{Q^1} (\text{IAOEC}_{(m-p),W}^j)$ with the following: “ $\sum_{p=0}^{\text{MIN}((m-1),\chi)} \sum_{W=w}^{Q^1} (\lambda_{(m-p),W}^j)$ means the sum across all incremental obligated entry capacity $\lambda_{(m-p),W}^j$ (where λ equals IPOEC or IAOEC as the case may be) for which the first month to which it relates is month (m-p), that the licensee has undertaken to offer for sale or sell as at W days prior to the first day of month m (provided that month (m-p) is not prior to April 2002) and shall be calculated in the following manner: $\sum_{p=0}^{\text{MIN}((m-1),\varphi)} \sum_{W=w}^{Q^1} (\lambda_{(m-p),W}^j) =$”</p>	This change simplifies the drafting by combining two expansions of a similar summation into one expansion.

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#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
				$\sum_{W=w}^{\Omega^1} (\lambda_{m,w}^j) + \sum_{W=w}^{\Omega^1} (\lambda_{(m-1),w}^j)$ $+ \dots + \sum_{W=w}^{\Omega^1} (\lambda_{(m-\text{MIN}((m-1), \varphi)),w}^j)$ <p>where φ takes a value of 59 where λ equals IPOEC and a value of 11 where λ equals IAOEC</p> <p>$\sum_{W=w}^{\Omega^1} (\lambda_{(m-p),W}^j)$ means the sum across all days W between w and 1 April 2002 of $\lambda_{(m-p),W}^j$ and shall be calculated in the following manner:</p> $\sum_{W=w}^{\Omega^1} (\lambda_{(m-p),W}^j) = \lambda_{(m-p),w}^j + \lambda_{(m-p),(w+1)}^j + \dots + \lambda_{(m-p),\Omega^1}^j$	
90	(h)	80	83	COLOIEC equation needs to have UCACOL with a subscript "t".	This change corrects a typing error by inserting a missing subscript.
91	(e)	80	83	In the COLOIEC equation, the term " $\times \text{UCACOL}_t^j$ " should appear outside all the brackets.	This change clarifies the equation (although mathematically the change does not alter the result). Since UCACOL does not vary by day (d) or month (m), it does not need to be included in the summation over these variables.
92	(h)	80	83	Replace "that term" with "the term $\text{CIOEC}_{m,w}^j$ " in the definition of $\text{CIOEC}_{m,0}^j$.	This change is designed to bring greater accuracy to the term being defined.
93	(h)	80	83	Replace "that term" with "the term $\text{OSELL}_{m,d,w}^j$ " in the definition of $\text{OSELL}_{m,d,0}^j$.	This change is designed to bring greater accuracy to the term being defined.

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94	(h)	81	84	Remove italics from UCACOL subscript.	This change corrects a formatting error.
95	(e)	81	84	Insert “of each day” before “of formula year t” in the definition of $UCACOL_t^j$.	This change is designed to clarify that this is a daily value.
96	(i)(i)	81	84	Replace cross-reference to paragraph 4 with paragraph 14.	This change ensures the correct cross-reference is referred to by correcting a typing error.
97	(i)(ii) (i)(iii) (i)(iv)	82 86 87	85 89 90	Five references to “capacity” changed to “firm capacity” [1 on page 82(85) in the title of (i)(ii), 1 on page 86(89) and 1 on page 87(89) in respect of (i)(iii) and 2 on page 87(90) in respect of (i)(iv)].	A respondent suggested that under the proposed modification in the Original Notice Transco would need to apply the revenue allocation principles to all capacity sales. This change makes it clear that the revenue allocation should only apply to the revenue from the sales of firm entry capacity.
98	(i)(iv)	87	90	Add in words “obligated incremental” before “entry capacity” in the first line.	This change inserts missing words to ensure that a defined term is used.
99	(j)	88	91	REVIEC shall be “the revenue derived by the licensee from sales of firm entry capacity other than...”.	This change clarifies the scope of REVIEC and ensures that the definition of REVIEC does not capture revenues from activities not involving the sales of entry capacity.
100	(k)	89-104	92-96	Replace superscript above summation with Q^d in all instances in this section. Make consequential changes in the definitions.	This change simplifies the drafting as is redundant since $= Q^d$ throughout this section.
101	(k) (i) (ii) (iii) (iv)	89	92 94 95 96	Add in new definition “ $\sum_{all j}$ is the sum across all terminals j”.	This is a consequential change to accommodate the change to calculating DOREV on a terminal specific basis (see Change 73). This change simplifies the following expansions of the summations.
102	(k)(i) & (iv)	89 93 94	92 96	In MOEC, replace subscript w with 0 and make corresponding change in definition: “ MOEC _{m,0} ^j shall have the meaning given to the term MOEC _{m,w} ^j in paragraph 14(5)(g) of Part 2 of this Special Condition where w is equal to 0.”	Under the proposed modifications in the Original Notice, the MOEC term within REVBEK picks up the 80:20 long:short baseline entry capacity split, in error. As a result, too much entry capacity revenue would be transferred between the SO and the TO. The changes corrects this and ensures that incentive revenue is not transferred prematurely to the TO.

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				Make same change to MOEC on Page 93 (96) and definition on page 94 (96).	Although this impacts on the relative k factors, it has no impact on revenue allowed to Transco.
103	(k)(i)	89	92	Change $DQREV_t$ to $DQREV_t^j$ and include in the summation over all terminals j. Replace the DQREV definition with: "shall have the meaning given to that term in paragraph 14(5)(d) of Part 2 of this Special Condition; and".	As a result of Change 73, DQREV is calculated at the terminal specific level. This consequential change ensures that subsequent references to DQREV are calculated on a consistent basis. This change does not affect the values calculated using this equation since the terminal specific DQREVs are summed over all terminals.
104	(k)(i)	89 90	93	Add a subscript "t" to PRIORREV, and add to definition words " in respect of formula year t occurring in any allocations....".	This change ensures that entry capacity revenue from sales prior to 1 April 2002 is added to the total revenue in the relevant formula year rather than all subsequent years.
105	(k)(i) (ii) (iii) (iv)	90 92 93 94	93 94 95 96	Delete explanation of summation across all terminals j of $\sum_{m=12t-11}^{12t} \sum_{all d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j$ and remove $\sum_{all j}$ from subsequent explanations of expansions of summations.	This is a consequential change to Change 101, which introduced a new separate definition for the term $\sum_{all j}$.
106	(k)(i)	91	93	Replace definition of $\gamma_{m,d,w}^j = REVBEC$ with $\gamma_{m,d,w}^j = REVBEC_{m,d,w}^j \times \frac{IBEC_m^j \times 1,000,000}{MOEC_{m,0}^j}$.	This change changes the definition to be consistent with the equation on p89 (92), which this summation expansion is explaining.
107	(k)(ii) (iii) (iv)	92 93 94		Delete definition of Q^d .	This change simplifies the drafting since the definition of Q^d is consistent throughout the sub-paragraph and as such the definition is redundant.
108	(k) (iii) and (iv)	92 93	95	The "revenue earned" should be replaced by "revenue derived".	This change ensures that a consistent form of words is used with similar conditions in other conditions in the proposed licence modifications.

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109	(l)(i)	94	97	Delete $\sum_{w=0}^{\mu}$ from the equation of DREVBEC.	This change deletes a redundant summation that was summing from 0 to 0 (and therefore was not summing anything).
110	(l)(i)	94	97	In equation of DREVBEC, replace subscript w on REVBEC with subscript 0. Make corresponding changes in the definitions. Also, in definition of REVBEC, replace “that term” with “the term $REVBEC_{m,d,w}^j$ ” and add “where w=0” to the end of the sentence.	This change ensures that the subscript on DREVBEC only refers to capacity sales on the day (i.e. “0” days in advance). This change in subscript is consequential on Change 109 above. The other changes ensure consistency between the definition and the subscript.
111	(l)(i)	95	97	Replace expansion of the summation with new expansion: $\sum_{all j} \sum_{m=12t-11}^{12t} \left[\sum_{all d} \gamma_{m,d,0}^j \right]$ is the sum across all terminals j of $\sum_{m=12t-11}^{12t} \left[\sum_{all d} \gamma_{m,d,0}^j \right]$ where $\gamma_{m,d,0}^j = REVBEC_{m,d,0}^j$ and shall be calculated in the following manner: $\sum_{m=12t-11}^{12t} \left[\sum_{all d} \gamma_{m,d,0}^j \right] =$ $\sum_{all d} \gamma_{(12t-11),d,0}^j + \sum_{all d} \gamma_{(12t-10),d,0}^j$ <p style="text-align: center;">where</p> $+ \dots + \sum_{all d} \gamma_{12t,d,0}^j$ $\sum_{all d} \gamma_{m,d,0}^j$ is the sum across all days d in month m of $\gamma_{m,d,0}^j$.	This change is a consequential change to Change 109, which deleted a redundant summation. The removal of this summation requires the subsequent explanation of the equation to be amended.

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112	(l)(ii)	95	98	Delete $\sum_{w=0}^{\mu}$ from the equation of DREVOIEC Make corresponding change in definition, change cross-reference from (k) to (l) and delete “and has the value zero (0)”.	As for Change 109 above, this change deletes a redundant summation that was summing from 0 to 0 (and therefore was not summing anything).
113	(l)(ii)	95	98	In equation of DREVOIEC, replace subscript w on REVOIEC with subscript 0. Make corresponding changes in the definitions. Also, in definition of REVOIEC, replace “that term” with “the term REVOIEC _{m,d,w} ^j ” and add “where w=0” to the end of the sentence.	This change ensures that the subscript on DREVOIEC only refers to capacity sales on the day (i.e. “0” days in advance). This change in subscript is consequential on Change 109 above. The other changes ensure consistency between the definition and the subscript.
<i>Section 28(B)Part 2 paragraph 14(6): Exit capacity investment incentive</i>					
114	(a)	96	99	Insert word “maximum” before words “exit capacity investment incentive revenue”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
115	(a)	97	100	In definition of ExCC _i , insert “payments made by the licensee in respect of” before “the costs incurred by the licensee”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
116	(b)(i)	98	101	Add word “2003” after first “by 1 June”.	This change inserts a missing word and thereby specifies the first year in which the licensee must fulfil the obligation.
117	(b) (dd)	99	102	Insert “incurred since 1 April 2002” after “in respect of such capital expenditure”.	A respondent suggested that it was not clear in the proposed modifications in the Original Notice from which point in time the incremental capital expenditure was being measured. This change makes it clear that it is from the start of this price control period.
118	(d)(i) (b)	102	104	In definition of ExNTSSIT, replace words “has the value” with word “as”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.

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119	(d)(i)(b)	102	105	In definition of ExNTSIT, replace words “has the value” with word “as”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
120	(d)(i)(b)	103	105	In definition of ExLDZIIT, replace words “has the value” with word “as”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
121	(d)(i)(b)	103	105	Definition of EXLDZIIT, word “Spe7cial” should be “Special”.	This change corrects a typing error by removing an erroneous number from the word.
122	(d)(i)(b)	103	106	Delete word “factor” in definition of IExR.	This change removes an unnecessary word and ensures a consistent form of words is used throughout this proposed condition.
123	(e)	108	109 110	Add in words “in GWh/day” after the words “NTS exit capacity” in definitions of DMExC and NDMExC.	This change specifies the units of measurement of the term being defined.
124	(f)	108 109	111 112	Replace all references in the section to subscript “m” with subscript “s”.	In the proposed modifications in the Original Notice, the same subscript was used in different sub-paragraphs to mean different things. Although the different uses were clearly defined, this change removes this potential source of confusion by replacing the subscript “m”, that is used to identify months in other sub-conditions, with a previously unused subscript “s”.
125	(f)	109	112	In the definition of DMExC, add in words “s in accordance with the licensee’s Network Code or calculated in accordance with a methodology approved by the Authority” before “for connected system exit points or storage connection points s” and delete “in accordance...Network Code”.	Under the proposed modifications in the Original Notice, Transco had an obligation to register CSEPs and storage points exit capacity in line with Network Code provisions. However, Transco has advised that these sites do not currently register interruptible exit capacity under the Network Code. Consequently, there needs to be an agreed methodology under which Transco measures that exit capacity. This change puts the responsibility on Transco to propose a methodology that the

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					Authority then approves.
126	(g)	109	112	In definition of TNDMT, add words “deemed to be” after “gas” and before “transported”. Add “in accordance with a methodology proposed by the licensee and approved by the Authority” at the end of the sentence.	Transco advised the Authority that it did not measure NDM gas throughput but attributed the throughput on the basis of an algorithm. This necessitated a change to the drafting. This change clarifies this by allowing NDM load to be deemed.
127	(h)	111	115 116	<p>Clarify definition of $ExIPK_{z,d}$ by replacing current definition with:</p> <p>“$ExIPK_{z,d}$ means the notional unpaid NTS exit capacity charge in respect of day d and supply point, connected system exit point z for a volume of NTS exit capacity equal to $ExC_{z,d}$ and shall be derived from the following formula:</p> $ExIPK_{z,d} = ExUCC_{z,d} - ExFC_{z,d}$ <p>where:</p> <p>$ExUCC_{z,d}$ means the NTS exit capacity charge per unit of capacity that would be payable in respect of day d and supply point, connected system exit point or storage connection point z, for a volume of NTS exit capacity equal to $ExC_{z,d}$ that was not subject to NTS exit capacity curtailment rights; and</p> <p>$ExFC_{z,d}$ means the NTS exit capacity charge per unit of capacity that is otherwise payable in respect of day d and supply point, connected system exit point or storage connection point z, in respect of $ExC_{z,d}$.”</p>	A respondent suggested that the definition in the proposed modifications in the Original Notice lacked clarity because it mixed a number of different charges including per unit and total capacity charges in one definition. This change clarifies the definition by separating out the different charges and defines all of them as per unit capacity charges.
128	(h)	113	119	In the definition of $RExCP_t$, replace the words “return on capital expenditure” with “financing costs”, replace “defined in” with “calculated in accordance with” and add (dd) after cross-reference to 14(6)(b).	A respondent suggested that under the proposed modifications in the Original Notice the $RExCP_t$ definition could be argued to lack precision in its wording and cross-refer to a depreciation value calculated for the previous year. The policy intent

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					is to measure the depreciation in the relevant formula year. This change tightens up the wording and corrects the cross-reference to deliver this.
129	(i)(i)	114	119	Add words “the NTS and for each LDZ by” after “in respect of” and before “each”.	A respondent suggested that each direct load connected to the NTS could be deemed to be an exit zone and reporting by Transco on that basis could breach confidentiality requirements. To ensure that this did not happen this change allows aggregate reporting for NTS connected sites.
130	(i)(i) (bb)	114	119	Replace drafting “whether ...initiated” with “in respect of sub-paragraph (aa) above it initiated” and replace “curtailment” with “use of exit capacity curtailment rights” and redraft the remainder of the sub-paragraph to read: “for which of the following reasons: (i) for the purposes of managing capacity rights within the NTS, (ii) for the purposes of managing capacity rights within an LDZ, (iii) for the purposes of balancing the inputs of gas to and the off-takes of gas from the NTS, (iv) for a specified combination of the reasons (i) to (iii), or (v) for such other reason as the licensee shall specify.”	A respondent suggested that the wording between sub-paragraphs (aa) and (bb) was not fully consistent and that the wording in (bb) did not use a defined term. This change made makes it clear that Transco must identify the reason for any curtailment.
<i>Section 28(B)Part 2 paragraph 14(7) to (16): Day to day incentives and other paragraphs</i>					
131	(7)(a)	114	120	Insert word “maximum” before words “buy-back incentive revenue”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
132	(7)(b)	117	122	IECCC definition needs word “costs” inserted before “incurred”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
133	(7)(b)	118	123	In definition of $DDCR_t$, delete words “of day d” and delete d subscript in following $DDCR_{d,t}$ equation. Replace “earned” with “derived”.	This change ensures that the subscript and words are consistent by removing references to day d.
134	(7)(b)	118	123	In definition of $DDCR_t$, replace “earned” with “derived”.	This change ensures a consistent form of words is

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					used across all similar paragraphs in other conditions in the licence.
135	(7)(b)	118	124	Replace REVIC definition with: “shall have the meaning given to that term in paragraph 13(2) of Part 2 of this Special Condition”.	This change is designed to ensure that there is only one definition of REVIC.
136	(8)(a)	119	124	Before “revenue”, insert word “maximum” and after “revenue” insert the words “allowed to the licensee” in the primary definition.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
137	(8)(b)	119	124	In title of GCIR, add word “maximum” before “gas” and insert “allowed to the licensee” after “revenue” in the first paragraph.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
138	8(b)	120	125	Insert words “cost incentive” before the word “target” in definition of GCIT.	This change introduces missing words to ensure that the reference is to the defined term.
139	8(c)	121	127	Insert word “maximum” before “system reserve” in the title and in the first paragraph and insert “allowed to the licensee” after “revenue” in that paragraph.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
140	(8)(e)	124	130	In the definition of q, add words “where a quarter is a continuous period of three calendar months and” after “formula year t”.	A respondent suggested that the word “quarter” was insufficiently defined. This change provides greater definition of this word.
141	(8)(e)	125	132	In the definition of n and the definition of $\sum_{d=a}^b$ insert word “business” before “days”	A respondent suggested that that because forward prices are only reported on business days and not weekends, it is possible the specified average could be calculated using an erroneous number of days. This change provides clarity on the basis of the calculation.
142	(8)(e)	125	132	In the definition of FP, replace “a” with “an” before the word “approved”.	This change corrects the grammar of the sentence.
143	(8)(e)	125	130	In the definitions, change \sum_{alld} to read \sum_{allq} and \sum_{allq} to read \sum_{alld} . Also, insert “d” after word “day” and add words “in formula year t” after “quarter q”.	The summation signs and the definitions had become transposed. This change corrects these typing errors.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
144	(8)(e)	126	130	In equation for NTST, delete superscript “b” from first UDQI term. Make corresponding change in the definition. Also, replace superscript “s” with “S” on the UDQO term.	The superscript b was undefined and not needed. This change therefore removes it. The other change corrects a typing error.
145	(8)(e)	126	130	In UDQI ^b definition, replace “Baction” with “Bacton” and “Theddletherpe” with “Theddlethorpe”.	This change corrects spelling errors.
146	(8)(g)	127	133	Replace reference to subparagraph (d) with (b).	This change ensures that the intended subparagraph is cross-referred to in the sentence.
147	(9)(a)	128	133	Before “revenue” insert the word “maximum” and after “revenue” insert the words “allowed to the licensee”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
148	(9)(b)	130	135	In definition of SDLIP, replace the word “price” with the word “linepack”.	This change ensures the definition correctly refers to linepack rather than price.
149	(9)(e)	132	137	Remove small bracket in the second DPIP equation immediately preceding the variable PIR.	The equation has one bracket in excess and this change removes it.
150	(9)(f)	134	139	In definition of TMIBP, insert the words “of formula year t” after “in respect of day d”.	This change ensures all subscripts attached to the term are referenced in the definition.
151	(9)(g)	135	141	In table for DLMCOL, variable should be DLMCOL not DMLCOL.	This change corrects a typing error where the letters in the variable name had become transposed.
152	(9)(h)	136	142	Definition of “NTS linepack” to have following changes: remove word “directed” and insert “proposed by the licensee” and insert “and approved” after the word “time”.	This change ensures that Transco develops the methodology and the Authority will approve it rather than the Authority determining the methodology.
153	(10)(a)	137	142	After “revenue” insert the words “allowed to the licensee”.	This change ensures a consistent form of words is used across all similar paragraphs in other conditions in the licence.
154	(10)(b)	139	144	In definition of SORCP, delete words “and in accordance with special condition 29”.	This change ensures that a redundant phrase is removed from the definition. The definition specifies explicitly how the return will be calculated so no reference to SC29 is required.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
155	(10) (b)	139	144	In definition of NTS SO regulatory asset base, delete words “and as agreed with the authority” and change “special condition” to “Special Condition”.	A respondent suggested that the proposed modification in the Original Notice could be interpreted that every year the value of the regulatory asset base would need to be agreed with the Authority. This is not the policy intent. This change is designed to address this.
156	(11) (a) (iii)	139	145	Insert words “and in respect of this sub-paragraph only, the threshold specified in paragraphs 14(11)(c)(ii), (d)(ii) and (g)(ii) shall not apply” at the end of the sub-paragraph.	A respondent suggested that it was not clear when the threshold for income adjusting events would apply. This change ensures clarity that the threshold will not apply for income adjusting events caused by a loss of revenue associated with the sale of obligated entry capacity arising from the termination of a shipper.
157	(11) (c) (ii)	140	145	Replace “save that” with “(for the avoidance of doubt” and insert “)” after “apply”.	This is a consequential change from Change 156 to ensure clarity on the application of the threshold.
158	(11) (d) (ii)	140	146	Replace “save that” with “(for the avoidance of doubt” and insert “)” after “apply”.	This is a consequential change from Change 156 to ensure clarity on the application of the threshold.
159	(11) (g)(ii)	141	147	Add words “(for the avoidance of doubt in the case of paragraph 14(11)(a)(iii) only the threshold of £2,000,000 shall not apply)” to the end of the paragraph.	This change ensures a consistent form of words is used with an earlier paragraph in the proposed licence condition.
160	(15) (6)	143	148	Replace “Auditors” with the words “appropriate auditors”.	This change ensures that this references a defined term.
161	16(3) (iii)	144	149	Replace cross-reference to subparagraph (4) with (5).	This change ensures that this cross-references to the correct sub-paragraph.
162	16(6)	145	150	Delete the word “the” at the end of the second line before “Special Condition”.	This change corrects the grammar of the statement.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
Special condition 29: Allocation of revenues and costs for calculations under the price control					
163	3	147	153	Replace "1 June (or such other date as the Authority shall direct in writing) for " with "1 October 2002 or such later date as the Authority may direct and thereafter before 1 July in".	This change ensures consistency with reporting deadlines for the TO and SO controls as stipulated in SC 28B paragraphs 4 and 15 and with the wording of other conditions.
164	5(a)	147	153	Reporting obligations to be changed from two months to three months.	This change ensures consistency with reporting deadlines for the TO and SO controls as stipulated in SC28B paragraphs 4 and 15.
165	5(b)	147	153	Replace words "complied with...prepared pursuant to" with "properly prepared the report submitted pursuant to paragraph 5(a) in accordance with".	Transco advised the Authority that its auditors had suggested that it could be interpreted that the Authority was placing an unreasonably onerous requirement on Transco's auditors. This change addresses this.
166	7	148	154	Correct spelling of word "de minimis".	This change corrects a spelling error.
Special condition 30: Supplementary provisions of the revenue restrictions					
167	5	150	157	Add in following at the end of the paragraph: "being not earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 3 of Special Condition 29 (Allocation of Revenues and Costs of Calculations under the Price Control) prior to issue of such directions related, unless such statement or the accompanying report or certificate referred to in paragraph 5 of that Special Condition or any earlier such statement, report or certificate was incorrect or misleading in any material aspect".	It was suggested that the proposed modification in the Original Notice might have meant that the Authority could restate Transco's allowed revenue retrospectively without limit. This was not the policy intent and this change addresses this.

Log of changes					
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Special condition 31: Restriction of prices in respect of tariff capped metering services					
168	2	151 152	159 160	Replace each instance (from Activity 1- 4) of "RPI ₀ " with "(1 + RPI ₀)".	A respondent suggested that in the proposed modification in the Original Notice, the inflation adjustment did not operate as intended as RPI in this Special Condition is defined in terms of percentage change in the price level. Consequently, application of the equation resulted in the price cap being set to equal the change in the price cap from its base level. This change corrects this error.
169	3	153	161	Replace "these" with "those" in definition of "tariff capped metering activities".	This change corrects the grammar of the statement
170	3	153	161	In definition of "domestic credit meter installation" delete words "at 1 April 2002".	This change ensures that the reference is kept live (rather than static) and that any subsequent relevant changes to the Network Code are reflected in the licence.
171	3	153	161	In definition of "prepayment meter installation" delete words "at 1 April 2002".	This change ensures that the reference is kept live (rather than static) and that any subsequent relevant changes to the Network Code are reflected in the licence.
172	4 (1)	153	161 162	Line 4 (4): Insert phrase "to a shipper" before "to a level which" Line 5 (6): Change phrase "in consequence of a shipper" to "in consequence of that shipper". Line 8 (9): Change "the shipper" to "that shipper" Line 10 (11): Change "the shipper" to "that shipper".	This change ensures clarity that when a shipper unbundles its services, the provision potentially allows Transco to increase its charges to that shipper but not all shippers.
173	4 (2)	154	162	Change phrase "in that application if:" to "in that application in respect of that shipper if:".	This is a consistency change following on from the previous Change 172.

Log of changes					
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Special condition 33: Information to be provided to the Authority in connection with the transportation system revenue restriction					
174	1	157-165	165 - 173	Reporting requirements in table to be changed from “1 June” to “30 June” throughout (except for terms concerning LDZ replacement expenditure (E_t and $L_{n,t}$) for which the change is to a reporting date of 31 July consistent with SLC28B8(3))– 48 of these changes in this Special Condition are made.	This change ensures consistency with reporting deadlines for the TO and SO controls as stipulated in SC28B paragraphs 4 and 15.
175	3	166	174	Reporting obligations to be changed from two months to three months.	This change ensures consistency with reporting deadlines for the TO and SO control as stipulated in SC28B paragraphs 4 and 15
176	4	166	174	Replace word “its” with word “appropriate” in front of “auditors”.	This change ensures that a defined term is referenced.
177	4	166	174	First bullet – add words “so far as it is reasonably possible to do so” after words “fairly presents”	Transco advised Ofgem that its auditors considered the proposed modification in the Original Notice to be unreasonably onerous. This change addresses this.
178	4	166	174	Second bullet – to read “that statement used data compiled in accordance with Special Condition 29 (...) and is consistent with the licensee’s accounting records”.	It was suggested by Transco that this would require it to keep its accounts in a way that is different from how it currently keeps them. This is not the policy intent, which was only that when Transco does allocate costs, it should do so in line with SC29. This change ensures that the policy intent is clear.
179	4	166	174	Third bullet – replace words “adequate and accurate” with the words “reasonable and consistent with the information supplied”.	Transco advised Ofgem that its auditors considered the proposed modification in the Original Notice to be unreasonably onerous. This change addresses this.
180	5	167	175	Add “the start of” after “prior to” and before “any allocation”.	This change makes it clear that the statement has to be published before the start of an allocation.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
181	5	167	175	Replace “in respect of periods...(1) day” with “rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day”.	It was suggested that the intent of the proposed modification in the Original Notice was unclear. This change addresses this by making it clear that the clause covers capacity sales other than daily sales.
182	5(b)	167	175	Replace words “to which such allocation relates” with the words “that is available on the day that the statement is published which the licensee will offer for sale in the allocation”.	A respondent suggested that this requirement could prevent Transco from releasing additional entry capacity during an allocation and this is not the policy intent. This change makes it clear that Transco needs to inform shippers of the volume of capacity that it is making available for sale at the time the statement is published. Transco retains the discretion of increasing that amount of capacity during an allocation.
183	6	167	175	Replace “entry capacity... one (1) day” with “entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day”.	It was suggested that the intent of the proposed modification in the Original Notice was unclear. This change makes it clear that the clause covers capacity sales other than daily sales.
184	6(a)	167	175	Replace paragraph with: “the volume of NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated entry capacity allocated”.	This change ensures that the requirement is general to cover all categories of firm entry capacity.
185	6(b)	167	175	Replace “baseline...such allocation” with “NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated entry capacity allocated”.	This change ensures that the requirement is general to cover all categories of firm entry capacity.
186	6(c) 6(d) 6(e)	167 168	176	Replace “sold in the allocation” with “allocated” in each definition.	Transco suggested that entry capacity was allocated rather than sold. This change ensures clarity in the interpretation of the reporting requirement.
187	6(f)	168		Delete paragraph.	As a result of Change 184 above, this sub-paragraph is redundant and can be removed. This change does that.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
Special Condition 34: Licensee's methodology for determining incremental entry capacity volumes					
188	2	169	177	Replace the first reference to "July" with "October".	This change ensures that the obligation to produce the first statement is applied prospectively rather than retrospectively and therefore ensures that the obligation remains live.
189	11	172	177	Move paragraph 11 to become paragraph 1.	A respondent suggested that it is only at the end of the condition that respondents are made aware that a specific definition of incremental entry capacity is being used that differs slightly from usage in previous conditions. To add clarity, this change moves the specific definition of incremental entry capacity being used to the start of the condition.
Special Condition 35: NTS performance reporting					
190	9(i)	177	185	Add word "effect" at end of the paragraph.	This change inserts a missing word and thereby corrects the grammar of the statement.
Special Condition 36: LDZ incentive scheme and performance reporting					
191	3	180	188	In definition of "supply year", add in word "of" before the word "twelve".	This change inserts a missing word and thereby corrects the grammar of the statement.
192	3	184	192	In definition of "specified information", sub-paragraph (e), replace word "measure" with "measured".	This change corrects the tense of the verb and thereby corrects the grammar of the statement.
193	3	185	192	In definition of "specified information", sub-paragraph (f)(i), insert the word "in" before "respect".	This change inserts a missing word and thereby corrects the grammar of the statement.

Log of changes					
#	Sect. / para.	Pg – April	Pg – Aug	Change	Effect of change & rationale
Special Condition 37: Exit code statement					
194	1	191	199	Replace "In respect of each formula year t, the licensee shall prepare and submit by 30 June (or such other date as the Authority may direct in writing)" with "By 30 June 2003 and by 30 June in each subsequent formula year (or such other date as the Authority may direct in writing), the licensee shall prepare and submit".	This is a consistency change designed to ensure that there is a consistent use of terminology throughout the proposed licence condition.
General drafting changes					
195		21 51 138 139 144 146 148 149 153 156 166 167 172 173 179 180 186 192	20 51 144 144 150 152 154 156 161 164 174 175 177 181 187 188 193 200	All of these pages cross-refer to Special Conditions, standard conditions or amended standard conditions. In each case, the change is to insert the title of the condition (in brackets) following the reference to the condition number.	As a general drafting convention, when conditions are cross-referred to in other conditions, the name of the cross-referenced condition is included in brackets. The changes here simply ensure that all such cross-references follow this drafting convention.