

NOTICE UNDER SECTION 23(3) of the Gas Act 1986

The Gas and Electricity Markets Authority (“**the Authority**”) hereby gives notice pursuant to Section 23(3) of the Gas Act 1986 (“**the Act**”) as follows:

1. The Authority proposes to modify the conditions of the gas transporter licence granted to Transco plc (“**Transco**”) treated as granted under Section 7 of the Act by:
 - (a) Amending Part 1b of Special Licence Condition 28 B in the manner set out in Appendix 1 of this notice (wherever possible, amendments are shown in bold and are italicised). Explanatory notes regarding certain aspects of this amendment are set out at the end of the appendix.
 - (b) Making consequential amendments to other licence conditions as a result of the above modification in the manner set out in Appendix 2 of this notice (wherever possible, amendments are shown in bold and are italicised).
 - (c) Amending Amended Standard Licence Conditions 1, 4 and 4A in the manner set out in Appendix 3 of this notice (wherever possible, amendments are shown in bold and are italicised).
2. In summary, the effect of the proposed modifications is to separate Transco’s existing local distribution zone (“**LDZ**”) transportation activity revenue restriction price control into eight separate price controls for each of Transco’s Distribution Networks. In addition the proposed modifications set out in 1(c) above will allow for separate distribution network transportation charges corresponding to the separate distribution network price controls.
3. The reasons why the Authority proposes to make these licence modifications were set out in the following documents¹ published by the Authority:
 - (a) Separation of Transco’s distribution price control – Initial Consultation Document, July 2002.
 - (b) Separation of Transco’s distribution price control – Draft Proposals, December 2002.
 - (c) Separation of Transco’s distribution price control - Final Proposals, July 2003.
4. A copy of the proposed modifications is attached to this notice. Copies of other documents referred to in this notice are available (free of charge) from the Ofgem Research and Information Centre (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
5. Any representations or objections to the proposed licence modifications may be made on or before **Wednesday 11 March 2004** to: Haren Thillainathan, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to haren.thillainathan@ofgem.gov.uk.

¹ These documents use the term ‘Regional Network(s)’ in subsequent Ofgem documents the term has been changed to ‘Distribution Network(s)’, both terms have the same meaning. For avoidance of doubt only the term ‘Distribution Network(s)’ will be used in future.

..... *A Walker*

Duly authorised on behalf of the Gas and Electricity Markets Authority

February 9 2004

APPENDIX 1

PROPOSED AMENDMENTS TO SPECIAL CONDITION 28 B PART 1b TO AMEND PARAGRAPHS 6, 7, 8, 9, 10 AND 11 AND TO INSERT A NEW PARAGRAPH 6A

Part 1b The *Distribution Network* transportation activity revenue restriction

6. The principal restriction

(1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year t ***the Distribution Network transportation activity revenue for any Distribution Network i (DNR_{it} as defined in paragraph 6A below) of the licensee*** shall not exceed the maximum ***Distribution Network*** transportation activity revenue ***for that Distribution Network in that year ($DNMR_{it}$ as defined in paragraph 6A below)***.

(2) (a) *If in respect of any formula year the **Distribution Network** transportation activity revenue in respect of a relevant Distribution Network exceeds the maximum **Distribution Network transportation activity revenue in respect of that Distribution Network** by more than 4 per cent of the latter, the licensee shall provide the Authority with a written explanation and, in the next following formula year, the licensee shall not effect any increase in prices for use of the **relevant Distribution Network** unless either:*

(i) it has demonstrated to the reasonable satisfaction of the Authority that the **Distribution Network** transportation activity revenue ***in respect of the relevant Distribution Network*** would not be likely to exceed the maximum **Distribution Network** transportation activity revenue ***in respect of the relevant Distribution Network*** in that next following formula year: or

(ii) the Authority has, on the written application of the licensee, consented to such an increase in prices.

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- (b) If, in respect of any two successive formula years, the sums of the amounts by which the **Distribution Network** transportation activity revenue **in respect of a relevant Distribution Network** has exceeded the maximum **Distribution Network** transportation activity revenue is more than 6 per cent of the maximum **Distribution Network** transportation activity revenue **in respect of the relevant Distribution Network** for the second of those formula years, then in the next following formula year the licensee shall if required by the Authority adjust its prices **in respect of the relevant Distribution Network** such that the **Distribution Network** transportation activity revenue **in respect of the relevant Distribution Network** would not be likely in the judgement of the Authority to exceed maximum **Distribution Network** transportation activity revenue **in respect of the relevant Distribution Network** in that next following formula year.

6A. **Distribution Networks**

The Distribution Networks i shall be defined with reference to their constituent Local Distribution Zones (LDZs) as set out in the table below:

<i>i</i>	<i>Distribution Network</i>	<i>Local Distribution Zone (LDZ)</i>
<i>0</i>	<i>All Networks</i>	<i>All LDZs</i>
<i>1</i>	<i>Scotland</i>	<i>Scotland</i>
<i>2</i>	<i>North England</i>	<i>Northern, North East</i>
<i>3</i>	<i>North West</i>	<i>North West</i>
<i>4</i>	<i>East England</i>	<i>East Midlands, Eastern</i>
<i>5</i>	<i>West Midlands</i>	<i>West Midlands</i>
<i>6</i>	<i>Wales & West</i>	<i>Wales North, Wales South, South West</i>
<i>7</i>	<i>London</i>	<i>North Thames</i>
<i>8</i>	<i>South England</i>	<i>South East, Southern</i>

Unless otherwise stated, for the purposes of paragraphs 6, 7 and 8 of part 1b of this Special Condition, in respect of the formula years commencing 1st April 2002 and 1st April 2003, $i=0$ and will apply to the licensee's Distribution Networks in aggregate. Thereafter, each individual Distribution Network i will be assigned a value between 1 and 8 according to the table.

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7. *Distribution Network* transportation activity revenue (DNR_{it})

For the purposes of paragraph 6 of part 1 b of this Special Condition the *Distribution Network* transportation activity revenue in respect of *Distribution Network i and* formula year t (DNR_{it}) shall have the meaning given to that term in Special Condition 28A (Revenue restriction definitions) (and for the avoidance of doubt shall exclude any revenues derived from excluded services).

8. Maximum *Distribution Network* transportation activity revenue $DNMR_{it}$

(1) Principal formula

For the purposes of paragraph 6 of part 1 b of this Special Condition the maximum *Distribution Network* transportation activity revenue in respect of *Distribution Network i and* formula year t $DNMR_{it}$ shall be derived from the following formula:

$$DNMR_{it} = DNZ_{it} + DNF_{it} - DNMRA_{it} - DNK_{it}$$

where:

DNZ_{it} in respect of *Distribution Network i* shall be derived in the following manner:

(i) In respect of the formula year commencing on 1 April 2002:

$$DNZ_{it} = \text{£}1,896,567,883$$

(ii) In respect of the formula year commencing on 1 April 2003:

$$DNZ_{it} = DNZ_{it-1} \times \left[1 + \left(\frac{RPI_t - X}{100} \right) \right] \times Q_{it}$$

where:

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic

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average of the retail price index published or determined with respect to each of the six months from July to December (both inclusive) in formula year t-1 and the arithmetic average of the retail price index numbers published or determined with respect to the same months in relevant year t-2;

X has the value of two (2); and

Q_{it} shall be derived from the following formula:

$$Q_{it} = \left(0.65 + 0.35 \times \frac{W_{it}}{W_{it-1}} \right)$$

where:

W_{it} means the composite user quantity *in respect of Distribution Network i* in formula year t and shall be derived from the following formula:

$$W_{it} = B_{it} + (0.15 \times D_{it}) + (0.05 \times V_{it})$$

where:

B_{it} is the small user quantity *in respect of Distribution Network i* in formula year t;

D_{it} is the large user quantity *in respect of Distribution Network i* in formula year t; and

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V_{it} is the very large user quantity *in respect of Distribution Network i* in formula year t.

For the avoidance of doubt, in respect of the formula year commencing 1 April 2004 subscript “i” in the term W_{it-1} above shall be regarded as relating to each individual Distribution Network and shall be assigned a value between 1 and 8, according to the table in paragraph 6A of part 1b of this Special Condition

(iii) *in respect of formula year commencing 1 April 2004*

$$DNZ_{it} = DNZ_{it-1} \times N_i \times \left[1 + \left(\frac{RPI_t - X}{100} \right) \right] \times Q_{it}$$

where

N_i *Is defined in the following table for each Distribution Network i :*

<i>i</i>	<i>Networks</i>	<i>N_i</i>
1	Scotland	0.083471
2	North of England	0.121209
3	North West	0.123785
4	East of England	0.180627
5	West Midlands	0.093774
6	Wales & the West	0.107805
7	London	0.106628
8	South of England	0.182701

(iv) *in respect of subsequent formula years*

$$DNZ_{it} = DNZ_{it-1} \times \left[1 + \left(\frac{RPI_t - X}{100} \right) \right] \times Q_{it}$$

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DNF_{it} Means the *Distribution Network* prescribed rates plus the *Distribution Network* licence fees in respect of *Distribution Network i* in formula year t,

where:

Distribution Network means the amount of the charge deemed to be incurred in respect of the prescribed rates or prescribed equivalent tax or duty replacing them levied on the licensee in respect of each *Distribution Network* transportation activity: *it shall be calculated as follows;*

a) in the event that a separate rating assessment is provided in respect of each Distribution Network transportation activity and NTS transportation owner activity, the charge shall be the amount so assessed

b) in the event that a separate rating assessment is not provided in respect of any of the licensee's Distribution Network transportation activities and NTS transportation owner activity, the total charge in respect of the Distribution Network transportation owner activity shall be 83% of the prescribed rates or equivalent tax replacing them levied on the licensee in respect of its NTS transportation owner activity and the Distribution Network transportation activity; the percentage of such charge in respect of each Distribution Network transportation activity is set out in the table below.

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<i>Distribution Network i</i>	<i>Percentage (%)</i>
0	100
1	07.1407
2	11.4358
3	12.1314
4	19.8953
5	09.6348
6	09.7606
7	10.9214
8	19.0810

c) In the event that a separate rating assessment is provided to one or more but not each of the licensee's Distribution Network transportation activities and NTS transportation owner activity the licensee shall perform attributions and allocations of cost in accordance with Special Condition 29.

In the event that the licensee receives a separate rating assessment or assessments in respect of gas meters connected to the licensee's pipeline system on or after 1st April 2005 the resultant charges shall be allocated by the licensee between the Distribution Network transportation activity and NTS transportation owner activity in accordance with Special Condition 29 and shall accordingly be deemed to constitute an element of the Distribution Network prescribed rates and NTS prescribed rates as so allocated.

Distribution Network licence fee means payments made by the licensee in respect of the ***Distribution Network*** transportation activity under standard condition 3 (Payments by the Licensee to the Authority) in respect of ***Distribution Network i*** and formula year t determined in accordance with the

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methodology determined by the Authority for the purposes of that condition.

$DNMRA_{it}$ means the mains replacement expenditure adjustment (whether positive or negative value) *in respect of Distribution Network i and formula year t* and shall be derived in accordance with paragraph 8(2) of Part 1 b of this Special Condition; and

DNK_{it} Means the *Distribution Network* transportation activity revenue adjustment factor to the *Distribution Network* transportation activity revenue over or under recovery in respect of *Distribution Network i and formula year t-1* and shall be derived in accordance with paragraph 8(4) of part 1 b of this Special Condition.

(2) **Mains replacement expenditure adjustment ($DNMRA_{it}$)**

For the purposes of paragraph 8(1) of part 1 b of this Special Condition the mains expenditure adjustment in respect of *Distribution Network i and formula year t* ($DNMRA_{it}$) shall be derived in the following manner:

If $E_{it} > AM_{it}$, then:

$$DNMRA_{it} = \left(1 + \frac{A_t}{100}\right) \times J_{it} \times 1,000,000 - (0.5 \times E_{it}) - (0.5 \times AM_{it})$$

Otherwise:

$$DNMRA_{it} = \left(1 + \frac{A_t}{100}\right) \times J_{it} \times 1,000,000 - (0.67 \times E_{it}) - (0.33 \times AM_{it})$$

where:

A_t means the mains RPI in respect of formula year t;

J_{it} means the price control initial projection allowance in respect of *Distribution Network i and formula year t* and

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shall have the values set out in the following table:

Price control mains allowance	Formula year t				
	t=1	t=2	t=3	t=4	t=5
i = 0	342	263			
i = 1			23.0	22.9	22.2
i = 2			35.0	37.7	37.4
i = 3			43.4	50.0	56.1
i = 4			47.4	42.9	43.6
i = 5			29.3	30.1	30.0
i = 6			28.2	27.0	25.4
i = 7			31.0	34.8	35.4
i = 8			50.4	58.4	63.4

E_{it} means the outturn mains costs in respect of *Distribution Network i* and formula year t;

AM_{it} means the matrix mains cost in respect of *Distribution Network i* and formula year t and shall be derived in accordance with paragraph 8(3) of Part 1 b of this Special Condition.

where:

Included mains means all mains which prior to decommissioning formed mains which operated at low, medium or intermediate distribution pressures;

mains RPI means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price Index numbers published or determined with respect to each of the twelve months April to March (both inclusive) in formula year t and the arithmetic average of the retail price index numbers published or determined with respect to the period from January to

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December (both inclusive) 2000;

outturn means the costs reasonably attributable to the
mains replacement and decommissioning of
cost included mains composed of non standard
mains materials in respect of **Distribution
Network i and** formula year t excluding costs
reasonably attributable to rechargeable
diversions; and

non mains which are not composed of
standard polyethylene or a similar polymer based
mains material (other than polyvinyl chloride
materials (PVC)) or of steel provided with cathodic
protection.

(3) Matrix mains cost (AM_{it})

- (a) For the purpose of paragraph 8(2) of Part 1 b of this Special Condition the matrix mains cost in respect of **Distribution Network i and** formula year t (AM_{it}) shall be derived in the following manner:

$$AM_{it} = \left(1 + \frac{A_t}{100}\right) \times \left[\sum_{n=1}^6 (L_{nit} \times U_{nit}) \times 1,000\right]$$

where:

A_t shall have the meaning given to that term in paragraph 8(2) of Part 1 b of this Special Condition;

$L_{n,i,t}$ means the length of mains decommissioned in kilometres in respect of diameter band n, **Distribution Network i** and formula year t where the diameter bands shall be defined as set out in the following table, save in respect of any diameter mains not covered by the table or mains measured in metric measurement shall be reported in the diameter

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band corresponding to nearest imperial equivalent

Diameter Band n	Nominal internal diameter of mains decommissioned (inches)
1	2 -3
2	4 -5
3	6 -7
4	8-9
5	10 -12
6	Greater than 12

$U_{n,i,t}$ means the specific matrix cost in respect of diameter band n, **Distribution network i** and formula year t and have the values set out the following tables:

i = 0	Specific matrix costs (£ per metre)				
Diameter band n	t=1	t=2	t=3	t=4	t=5
1	45.7	46.1			
2	47.4	47.3			
3	115.3	117.9			
4	179.8	190.9			
5	211.7	225.1			
6	306.8	316.8			

i = 1	Specific matrix costs (£ per metre)				
Diameter band n	t=1	t=2	t=3	t=4	T=5
1			43.8	41.2	39.9
2			55.3	51.9	50.2
3			85.0	79.9	77.5
4			116.8	109.8	106.4
5			164.5	154.5	149.6
6			262.3	246.6	239.0

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<i>i = 2</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>T=5</i>
<i>1</i>			<i>44.1</i>	<i>42.9</i>	<i>42.1</i>
<i>2</i>			<i>58.1</i>	<i>56.7</i>	<i>55.6</i>
<i>3</i>			<i>92.8</i>	<i>90.0</i>	<i>88.4</i>
<i>4</i>			<i>125.4</i>	<i>121.7</i>	<i>119.5</i>
<i>5</i>			<i>175.1</i>	<i>169.6</i>	<i>166.5</i>
<i>6</i>			<i>286.7</i>	<i>278.2</i>	<i>273.1</i>

<i>i = 3</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>t=5</i>
<i>1</i>			<i>52.4</i>	<i>49.6</i>	<i>47.9</i>
<i>2</i>			<i>66.8</i>	<i>65.2</i>	<i>63.3</i>
<i>3</i>			<i>101.8</i>	<i>95.5</i>	<i>91.8</i>
<i>4</i>			<i>137.7</i>	<i>129.2</i>	<i>124.2</i>
<i>5</i>			<i>204.3</i>	<i>191.7</i>	<i>183.7</i>
<i>6</i>			<i>351.6</i>	<i>329.1</i>	<i>316.1</i>

<i>i = 4</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>t=5</i>
<i>1</i>			<i>50.6</i>	<i>52.3</i>	<i>50.9</i>
<i>2</i>			<i>57.1</i>	<i>57.8</i>	<i>56.4</i>
<i>3</i>			<i>89.8</i>	<i>91.5</i>	<i>88.9</i>
<i>4</i>			<i>136.9</i>	<i>141.6</i>	<i>140.0</i>
<i>5</i>			<i>181.0</i>	<i>186.2</i>	<i>180.7</i>
<i>6</i>			<i>245.3</i>	<i>279.3</i>	<i>274.1</i>

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<i>i = 5</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>t=5</i>
<i>1</i>			<i>54.7</i>	<i>52.9</i>	<i>52.4</i>
<i>2</i>			<i>65.9</i>	<i>62.9</i>	<i>61.6</i>
<i>3</i>			<i>99.4</i>	<i>95.0</i>	<i>94.0</i>
<i>4</i>			<i>155.5</i>	<i>148.6</i>	<i>146.9</i>
<i>5</i>			<i>215.4</i>	<i>205.8</i>	<i>203.7</i>
<i>6</i>			<i>309.4</i>	<i>294.0</i>	<i>288.0</i>

<i>i = 6</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>t=5</i>
<i>1</i>			<i>54.1</i>	<i>50.4</i>	<i>46.5</i>
<i>2</i>			<i>62.3</i>	<i>58.3</i>	<i>53.7</i>
<i>3</i>			<i>91.4</i>	<i>85.3</i>	<i>78.6</i>
<i>4</i>			<i>137.1</i>	<i>128.0</i>	<i>117.9</i>
<i>5</i>			<i>170.7</i>	<i>159.1</i>	<i>146.5</i>
<i>6</i>			<i>285.4</i>	<i>266.3</i>	<i>245.3</i>

<i>i = 7</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>t=5</i>
<i>1</i>			<i>64.2</i>	<i>63.2</i>	<i>61.6</i>
<i>2</i>			<i>77.9</i>	<i>76.7</i>	<i>74.8</i>
<i>3</i>			<i>108.5</i>	<i>105.9</i>	<i>103.2</i>
<i>4</i>			<i>211.6</i>	<i>206.6</i>	<i>201.2</i>
<i>5</i>			<i>304.2</i>	<i>294.3</i>	<i>286.5</i>
<i>6</i>			<i>445.8</i>	<i>435.2</i>	<i>424.0</i>

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<i>i = 8</i>	<i>Specific matrix costs (£ per metre)</i>				
<i>Diameter band n</i>	<i>t=1</i>	<i>t=2</i>	<i>t=3</i>	<i>t=4</i>	<i>t=5</i>
<i>1</i>			<i>61.0</i>	<i>61.9</i>	<i>61.0</i>
<i>2</i>			<i>64.9</i>	<i>65.7</i>	<i>64.9</i>
<i>3</i>			<i>89.9</i>	<i>91.2</i>	<i>90.0</i>
<i>4</i>			<i>141.3</i>	<i>143.4</i>	<i>141.6</i>
<i>5</i>			<i>190.0</i>	<i>192.8</i>	<i>190.3</i>
<i>6</i>			<i>389.1</i>	<i>394.8</i>	<i>389.8</i>

$\sum_{n=1}^6$ means the sum over diameter bands n of $L_{n,i,t} \times U_{n,i,t}$

- (b) **On or before** 31 July in each formula year t **in respect of each Distribution Network i**, the licensee shall prepare and provide to the Authority a report providing the details of:
- (i) the mains replacement work completed in *respect of* the previous formula year in kilometres of length of mains decommissioned (excluding rechargeable diversions) by diameter band; and
 - (ii) detailing the outturn mains cost in respect of formula year t-1.
- (c) For the purposes of paragraph 8(3)(b) of Part 1 b of this Special Condition, rechargeable diversions means mains decommissioned or replaced at the request of a party other than the licensee and where the cost of the work is recovered or is expected to be recovered from that party (or another) by the licensee.
- (d) The licensee shall allow the Authority or a duly authorised nominated representative of the Authority on the provision of reasonable prior written notice access to its staff, records and facilities as the Authority may reasonably require or as may be necessary for the purpose of enabling the Authority to establish to its reasonable satisfaction that the information to be provided by the licensee under sub-paragraph 3(4)(b) of Part 1 b of this Special Condition above fairly presents the outturn

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mains costs and lengths and diameters decommissioned in formula year t.

(4) ***Distribution Network transportation activity revenue adjustment (DNK_{it})***

For the purposes of paragraph 8(1) of Part 1 b of this Special Condition the ***Distribution network*** transportation activity revenue adjustment in respect of ***Distribution Network i and*** formula year t (DNK_{it}) shall be derived from the following manner:

(i) In respect of the formula year commencing on 1 April 2002:

$$DNK_{it} = \text{£}31,625,049$$

(ii) ***In respect of formula year commencing on 1 April 2003:***

$$DNK_{it} = (DNR_{it-1} - DNMR_{it-1}) \times \left(1 + \frac{I_t}{100} \right)$$

(iii) ***In respect of formula year commencing on 1 April 2004:***

$$DNK_{it} = (DNR_{it-1} - DNMR_{it-1}) \times N_i \left(1 + \frac{I_t}{100} \right)$$

vi) ***and thereafter***

$$DNK_{it} = (DNR_{it-1} - DNMR_{it-1}) \times \left(1 + \frac{I_t}{100} \right)$$

where:

I_t Shall have the meaning given to that term in paragraph 3(2) of Part 1 a of this Special Condition, ***except that, where the total of DNK_{it} for all Distribution Networks has a negative value the***

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percentage interest rate for each Distribution Network shall be the average specified rate, and where the total of DNK_{it} for all Distribution Networks has a positive value the percentage interest rate for each Distribution Network shall be the average specified rate plus 3.

N_i has the same meaning given to that term in paragraph 8(1) of Part 1b of this special condition

9. Calculation of quantities

- (1) In Part 1b of this Special Condition in respect of the definitions of commercial user quantity, very large user quantity and small interruptible user quantity, the licensee shall determine loads attributable to the small interruptible user quantity, commercial user quantity and very large user quantity on the basis of volumes reasonably expected to have been off-taken **from the relevant Distribution Network** during the formula year t having regard to daily meter reads or if these are not available the licensee shall use reasonable estimates of the volumes likely to be off-taken **from the relevant Distribution Network** in accordance with the process for determination of such volumes pursuant to the licensee's Network Code.

10. Reporting obligations

- (1) Where the licensee publishes any statement or revised or amended statement as to its **Distribution Network** transportation charges under amended standard condition 4 (Charging Gas Shippers – General), the licensee shall not later than twenty eight days prior to the time of such publication provide the Authority with:
 - (a) a written forecast of maximum **Distribution Network** transportation activity revenue together with its components, **in respect of each Distribution Network to which the statements referred to in paragraph 10 (1)**

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relate and in respect of the formula year in which the change in such charges is to take effect and also in respect of the next following formula years: and

- (b) a written estimate of the maximum **Distribution Network** transportation activity revenue together with its components, **in respect of each Distribution Network to which the statements referred to in paragraph 10 (1) relate** and in respect of the formula year immediately preceding the formula year in which the change in such charges is to take effect unless a statement complying with paragraph 10(4) of Part 1b of this Special Condition in respect of the first mentioned formula year has been furnished to the Authority before publication of the proposed change to such charges.
- (2) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its **Distribution Network** transportation charges under amended standard condition 4 (Charging Gas Shippers – General) the licensee shall provide the Authority with a written forecast of the maximum **Distribution Network** transportation activity revenue **in respect of each Distribution Network** and together with its components, in respect of that formula year.
- (3) Any forecasts as aforesaid shall be accompanied by such information as may be necessary to enable the Authority to be reasonably satisfied that the forecasts have been properly prepared on a consistent basis.
- (4) Not later than six weeks after the commencement of the formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 6(1) and 6(2) of Part 1b of this Special Condition above apply in respect of that formula year and its best estimate of what **DNK_{it}** (as defined in paragraph 8(4) of Part 1b this Special Condition) is likely to be in that formula year **in respect of each Distribution Network**

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- (5) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement *in respect of each Distribution Network* showing the *Distribution Network* transportation activity revenue, the *Distribution Network* transportation quantity and the commercial user quantity, the very large user quantity and the small interruptible user quantity in respect of that formula year which shall be certified by a Director of the licensee on behalf of the licensee stating that the information is correct to the best of his knowledge and belief having made all reasonable enquiries.
- (6) The statements referred to in sub-paragraph (5) above shall be accompanied by a report from an appropriate auditor that, in its opinion, the statements fairly presents the *Distribution Network* transportation activity revenue, the *Distribution Network* transportation quantity and the commercial user quantity, the very large user quantity and the small interruptible user quantity, *in each case in relation to each Distribution Network*, in accordance with the requirements of this Special Condition.

11. Disapplication of the *Distribution Network* transportation activity revenue restriction

- (1) The *Distribution Network* transportation activity revenue restriction conditions shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 11(2) to 11(7) of Part 1b of this Special Condition.
- (2) The *Distribution Network* transportation activity revenue restriction conditions shall cease to have effect (in whole or in part as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 11(3) of Part 1b of this Special Condition or notice is given to the Authority by the licensee in accordance with either paragraph 11(6) or paragraph 11(7) of Part 1b of this Special Condition.
- (3) A disapplication request shall:

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- (i) be in writing addressed to the Authority;
 - (ii) specify the ***Distribution Network*** transportation activity revenue restriction conditions (or any part or parts thereof) to which the request relates;
 - (iii) ***specify the Distribution Network (or any part or parts thereof) to which the request relates; and***
 - (iv) state the date (being not earlier than the date referred to in paragraph 11(5) of Part 1b of this Special Condition) from which the licensee wishes the Authority to agree that the conditions shall cease to have effect, (the disapplication date).
- (4) The licensee may withdraw a disapplication request at any time.
- (5) Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to paragraph 6 of Part 1b of this Special Condition shall have effect until a date being the earlier of:
- (a) not less than 18 months after delivery of the disapplication request; and
 - (b) 31st March 2007.
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of Part 1b of this Special Condition or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn this disapplication request, the licensee may deliver written notice to the Authority terminating the application of Part 1b of this Special Condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or a later date.
- (7) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of Part 1b of this Special Condition or the part or parts thereof specified in the disapplication

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request and such report does not include a conclusion that the cessation of such revenue restrictions in Special Condition 28B Part 1b, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 25 of the Act deliver to the Authority written notice terminating the application of Part 1b of this Special Condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or such a later date.

Notes

1. The calculation of Distribution Network allowed revenue (DNZ_{it}) in 2002/03² is consistent with Transco's distribution price control. The allowed revenue generated by Ofgem's financial modelling is adjusted by the:
 - a. subtraction of distribution (LDZ) costs funded through NTS SO arrangements;
 - b. subtraction of prescribed rates and licence fees; and
 - c. updated for inflation.
2. The values of N_i ³ applied to DNZ_{it-1} in the year commencing 1 April 2004, are calculated as each individual Distribution Network's allowed revenue as a percentage of the aggregate total of the Distribution Networks' allowed revenue. The individual Distribution Network allowed revenues have been updated from the final proposals published in June 2003⁴ to reflect Transco's most recent forecast split of transportation charge revenue, these adjustments are small.
3. The process and methodology for setting prescribed rates may change from 1 April 2005. The definition of Distribution Network prescribed rates DNF_{it} therefore sets out all the possible ways of determining the value of prescribed rates for the Distribution Networks. The table of percentages shown in relation to DNF_{it} are calculated as each Distribution Network's projected rates as a percentage of the aggregate total of the Distribution Networks.

² Special Condition 28B part 1b 8(1)(i)

³ Special Condition 28B part 1b 8(1)(iii)

⁴ Separation of Transco's distribution price control: Final proposals, June 2003 (38/03)

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PROPOSED AMENDMENTS SPECIAL CONDITION 28A TO AMEND PARAGRAPH 1
IN THE FOLLOWING MANNER

1. Delete the following existing definitions:

“LDZ transportation activity”;

“LDZ transportation activity revenue”; and

“LDZ transportation quantity”;

2. Insert the following new definitions:

“Distribution Network” *has the meaning given in Paragraph 6A of Special Condition 28B part 1b*

“Distribution Network transportation activity” *means the activities of the licensee connected with the development, administration, maintenance and operation of the LDZ network and with the supply of LDZ services;*

“Distribution Network transportation activity revenue” *means the revenue derived by the licensee from the supply of LDZ services to shippers in respect of the Distribution Network transportation activity (such revenue to be measured on an accruals basis);*

“Distribution Network transportation quantity” *means the aggregate quantity of gas in kilowatt hours introduced into the LDZ network as a result of arrangements with shippers in respect of formula year t less LDZ shrinkage calculated in accordance with the licensee’s Network Code;*

3. Amend the following definitions:

“LDZ Network or LDZs” *means the aggregate of the local distribution zones (having the meaning given to that term in the licensee’s Network Code) **comprised within the relevant Distribution Network;***

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“small user quantity” means the ***Distribution Network*** transportation quantity less the sum of the very large user quantity and large user quantity;

4. As a consequence of the new definitions in paragraph 2 above it is proposed that, “LDZ transportation activity” be replaced by “***Distribution Network transportation activity***” in the following sections of Transco’s gas transporter licence:

Table of Contents;

Part IV. The Special Conditions – Index;

Special Condition 28A, paragraph 1: definition of “obligated incremental entry capacity”;

Title of Special Condition 28B;

Special Condition 28B, Part 2, paragraph 16(5)(ii);

Special Condition 29, paragraphs 1, 2(c) and 8;

Special Condition 30, paragraphs 1, 1(a), 2, 2(a), 2(b), 2(c), and 4(b);

Special Condition 33, paragraphs 1 and 4;

Special Condition 34, paragraph 1;

Special Condition 36, paragraph 3: definition of “specified information” sub paragraph (h)(iii);

Special Condition 37, paragraphs 2(i) and 2(ii); and

Schedule A, paragraph 1.

5. As a consequence of the new definitions in paragraph 2 above it is proposed that “LDZ transportation activity revenue” be replaced by “***Distribution Network transportation activity revenue***” in the following sections of Transco’s gas transporter licence:

Special Condition 33, paragraph 1;

Special Condition 35, definition of “revenue restriction” and “charging review date”; and

Special Condition 36, paragraph 3: definitions of “revenue restriction” and “charging review date”.

6. As a consequence of the new definitions in paragraph 2 above it is proposed that “LDZ transportation quantity” be replaced by “Distribution Network transportation quantity” in Paragraph 1 of Special Condition 33 of Transco’s gas transporter licence.

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PROPOSED AMENDMENTS TO SPECIAL CONDITION 36:

Special Condition 36: *Distribution Network* incentive scheme and performance reporting

1. The principal purpose of this Special Condition is to secure the collection of information to an appropriate degree of accuracy, by the licensee so as:
 - (a) to facilitate the establishment and operation of an incentive scheme (“the scheme”) to improve the operation of, and delivery of appropriate output from the licensee’s LDZ network;
 - (b) to monitor the operation of, and delivery of appropriate output from, the licensee’s LDZ network; and
 - (c) facilitate the development of an expenditure monitoring framework.
2. The licensee shall establish appropriate systems, processes and procedures to measure and record specified information from the dates specified in paragraph 4 of this Special Condition and in accordance with regulatory instructions and guidance (including any associated information specified therein).
3. For the purposes of this Special Condition:

revenue restriction means the *Distribution Network* activity revenue restriction in Special Condition 28B Part 1 b (The *Distribution Network* transportation activity revenue restriction);

charging review date means any date from which modifications to Special Condition 28B Part 1 b (The *Distribution Network* transportation activity revenue restriction) relating to the licensee’s LDZ network have effect:

- (a) whether before or after the date upon which the modifications are made;
- (b) where such modifications have been proposed by the Authority following a

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review by the Authority of the revenue restrictions in Special Condition 28B Part 1b (The ***Distribution Network*** transportation activity revenue restriction) (or that part to which the modifications relate) in relation to the licensee;

formula year	has the meaning given to that term in Special Condition 28A (Revenue restriction definitions);
LDZ network	means the licensee's LDZ transportation system management units or such other network management units as the licensee may from time to time establish;
<i>Distribution Network</i>	<i>has the meaning given in Paragraph 6A of Special Condition 28B part 1b .</i>
LDZ peak demand	has the meaning given in standard condition 16 (pipe-line system security standards);
M number database	means the licensee's database which allocates a unique number to identify particular supply meter points as defined in the licensee's Network Code;
Supply year	for the purposes of this Special Condition only, means any continuous period of twelve months commencing 1 October in each year and ending on 30 September in the immediately following year;
regulatory instructions and guidance	means any instructions and guidance issued by the Authority for the purposes of this Special Condition as modified from time to time by notice under paragraph 9 and may include:

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- (a) instructions and guidance as to the establishment of different systems, processes, procedures and manners for providing and recording information and of standards for different classes of information;
- (b) a timetable for the development of the systems, processes and procedures required to achieve the appropriate standards of accuracy and reliability with which specified information shall be recorded;
- (c) the meaning of words and phrases used in defining specified information;
- (d) requirements for the recording of information associated with specified information which is reasonably necessary to enable an examiner to determine the accuracy and reliability of specified information;
- (e) requirements as to the form and manner in which specified information shall be provided to the Authority;
- (f) requirements as to the manner in which specified information shall be recorded and as to the standards of accuracy and reliability with which it shall be recorded; and

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	(g)	a statement as to whether and to what extent each category of specified information is required for the purposes of the scheme;
specified information	Means	
	(a)	information regarding interruptions comprising: <ul style="list-style-type: none">(i) the number of interruptions to supply, not caused pursuant to contract, per year in aggregate and disaggregate form in respect of the LDZ network and each <i>Distribution Network</i> in the form and manner specified in the regulatory instructions and guidance; and(ii) the duration of interruptions to supply, not caused pursuant to contract, per year in aggregate and disaggregate form in respect of the LDZ network and each <i>Distribution Network</i> in the form and manner specified in the regulatory instructions and guidance.
	(b)	information regarding queries from shippers, comprising: <ul style="list-style-type: none">(i) the percentage of Shipper queries resolved within 10 business days in aggregate and disaggregate form in respect of the LDZ network in the form

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- and manner specified in the regulatory instructions and guidance;
- (ii) the percentage of shipper queries resolved within 20 business days in aggregate and disaggregate form in respect of the LDZ network in the form and manner specified in the regulatory instructions and guidance; and,
 - (iii) the mean time taken to resolve outstanding shipper queries in both aggregate form and disaggregate form in respect of the LDZ network in the form and manner specified in the regulatory instructions and guidance.
- (c) information regarding the M-number CD-ROM comprising:
- (i) an assessment of the reliability of the M-number CD-ROM service in respect of the LDZ network in the form and manner specified in the regulatory instructions and guidance; and
 - (ii) a report of invalid or out of date information on the M-number CD-ROM service in respect of the LDZ network in the form and manner specified in the regulatory instructions and guidance;
- (d) information regarding the replacement of mains and services (as the same are defined

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in the regulatory instructions and guidance)
comprising:

- (i) the amount of mains decommissioned per year by the licensee, measured in kilometres and in aggregate and in disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
- (ii) the amount of replacement mains per year installed by the licensee, measured in kilometres in aggregate and in disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
- (iii) the number of services decommissioned per year by the licensee in aggregate and disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
- (iv) the number of replacement services installed per year by the licensee in aggregate and disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance; and

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- (v) the number of services transferred per year by the licensee in aggregate and disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance.
- (e) information regarding LDZ peak demand measured in aggregate and disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance including:
 - (i) the estimated 1-in-20 LDZ peak demand for the current supply year; and
 - (ii) the licensee's forecast 1-in-20 LDZ peak demand for the next 10 supply years.
- (f) information regarding environmental performance measures including:
 - (i) methane emissions in each formula year measured in estimated tonnes in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance; and
 - (ii) loss of containment of gas reportable to the Health and Safety Executive in accordance with the Control of Major

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Accident Hazards Regulations 1999 in the formula year in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance.

- (g) an analysis of trends observable from the environmental measures.
- (h) supporting information including:
 - (i) information regarding annual demand in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
 - (ii) information regarding all new connections from the LDZ network to premises or to pipeline systems operated by an authorised gas transporter in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
 - (iii) information regarding all rechargeable diversions as defined in Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the *Distribution Network* transportation activity and the NTS system operation activity) in respect of the LDZ network and each

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Distribution Network in the form and manner specified in the regulatory instructions and guidance;

- (iv) information regarding escapes of gas which have been reported by members of the public in aggregate and disaggregate form in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
- (v) information regarding the accuracy of one and three-year ahead annual and peak demand forecasts in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance;
- (vi) information regarding gas in buildings as the same is defined in the licensee's engineering instructions as the same may be updated from time to time in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the regulatory instructions and guidance; and
- (vii) information regarding cast iron mains fractures in respect of the LDZ network and each *Distribution Network* in the form and manner specified in the

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regulatory instructions and guidance;
and

- (i) such other information as may from time to time be specified by the Authority, by notice to the licensee in accordance with paragraph 9.

4. The licensee shall collect specified information in respect of:

- (a) the matters specified in sub-paragraph (a) of the definition of specified information from and including 1 April 2003;
- (b) the matters specified in sub-paragraph (b)-(h) of the definition of specified information from and including 1 April 2002; and
- (c) any matter specified under sub-paragraph (i) of that definition from the date specified in a notice given in accordance with paragraph 9.

5. The licensee shall provide to the Authority:

- (a) the information referred to in sub-paragraph (a) of the definition of specified information, with respect to the formula years commencing on 1 April 2003 and 1 April 2004, on or before 31 July (information regarding the previous quarter), 31 October (information regarding the previous quarter), 31 January (information regarding the previous quarter) and 30 April (information regarding the previous quarter and the previous formula year) in each respective year (or on such later dates as the Authority may by notice specify);
- (b) the information referred to in sub-paragraph (a) of the definition of specified information, on 30 April 2006 and then annually on that date (information regarding the previous formula year) (or on such later dates as the Authority may by notice specify);

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- (c) the information referred to in sub-paragraphs (b) - (h) of the definition of specified information on 31 July 2003 and then annually on that date (information regarding the previous formula year) (or on such later dates as the Authority may by notice specify); and
 - (d) the information referred to in sub-paragraph (i) of the definition of specified information in respect of such period and by such date as shall be specified in the relevant notice in accordance with that sub-paragraph.
6. The licensee shall permit a person or persons nominated by the Authority (in each case “an examiner”) to examine the systems, processes and procedures referred to in paragraph 2 and their operation, the specified information and the extent to which each complies, and is in accordance, with this Special Condition and the regulatory instructions and guidance.
7. The licensee shall (and shall procure, insofar as it is able to do so, that any affiliate of the licensee, any person by whom it procures the performance of the obligation in paragraph 2 and any auditor of such person or of the licensee shall) co-operate fully with an examiner so as to enable him to carry out, complete and report to the Authority on any examination carried out in accordance with paragraph 6.
8. The licensee’s obligation under paragraph 7 to cooperate or procure cooperation with an examiner shall include, without limitation and insofar as necessary or expedient for such purpose, in each case subject to reasonable prior notice to the licensee:
- (a) providing access to management, employees, agents or independent contractors of the licensee sufficient to enable the examiner to make any enquiries and to discuss any matters which he reasonably considers to be relevant to the carrying out of the examination;
 - (b) giving to the examiner access at reasonable hours to any premises occupied by the licensee or any other person in performing the obligations set out in this Special Condition; and

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- (c) allowing the examiner at reasonable hours:
 - (i) to inspect and make copies of, and take extracts from, any documents and records of the licensee maintained in relation to specified information;
 - (ii) to carry out inspections, measurements and tests on or in relation to any systems maintained and operated for or in relation to the requirements of this Special Condition; and
 - (iii) to take onto such premises or onto or into any assets used for the purpose of the licensee's LDZ network such other persons and such equipment as may be necessary or expedient for the purpose of carrying out the examination.

- 9. A notice published by the Authority which adds to the categories of specified information or which modifies regulatory instructions and guidance (in each case, an "amendment") shall have effect where the Authority has:
 - (a) given prior notice to the licensee:
 - (i) stating that it proposes to make the amendment and setting out its effect, the date it is proposed it should take effect and (where relevant) whether the additional category of specified information is required for the purposes of the scheme;
 - (ii) stating the reasons why it proposes to make the amendment;
 - (iii) specifying the time (not being less than 28 days from the date of publication of the notice) within which representations or objections with respect to the proposed amendment may be made; and

 - (b) considered any representations or objections which are duly made and not withdrawn.

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10. A notice under paragraph 9 may not, where the amendment relates to a requirement in regulatory instructions and guidance to provide any specified information to a greater level of accuracy or the introduction of an additional category of specified information, specify a date for the purpose of paragraph 9(a)(i) other than a charging review date nor be given less than 12 months prior to that date unless the licensee has agreed an alternative date or period of notice.

- (a) In relation to the information referred to in sub-paragraph (a) of the definition of specified information, where the amendment relates to the specification of required levels of accuracy in the regulatory instructions and guidance prior to 1 April 2004, the period of 12 months referred to in paragraph 10 above shall be substituted with 3 months and the amendment may take place other than at a charging review date.

11. The reasons for proposing an amendment which relates to any change in regulatory instructions and guidance (other than that referred to in paragraph 10) in respect of specified information which is or is intended to be required for the purposes of the scheme may have regard in particular to the desirability of:-

- (a) improving the presentation or style of the regulatory instructions and guidance or of the form and manner in which the specified information is to be provided;
- (b) summarising the terms of reference and instructions from time to time given to an examiner; or
- (c) setting out any of the matters referred to in paragraphs (a) to (f) of the definition of regulatory instructions and guidance in respect of any additional category of specified information

so as more effectively to achieve the purposes of this Special Condition.

Nothing in this Special Condition shall require the licensee to produce any documents which it could not be compelled to produce or give in evidence in civil proceedings before a court.

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PROPOSED AMENDMENTS TO THE DEFINITION OF "TOF_t" IN PARAGRAPH 3 OF SPECIAL CONDITION 28B PART 1a:

TOF_t means the NTS prescribed rates plus the NTS licence fees in respect of formula year t:

where

NTS

prescribed rates *means the amount of the charge deemed to be incurred in respect of the prescribed rates or equivalent tax or duty replacing them levied on the licensee in respect of its NTS transportation owner activity in respect of formula year t: it shall be calculated as follows;*

a) in the event that a separate rating assessment is provided in respect of each Distribution Network transportation activity and NTS transportation owner activity, the charge shall be the amount so assessed

b) in the event that a separate rating assessment is not provided in respect of any of the licensee's Distribution Network transportation activities and NTS transportation owner activity the total charge in respect of the NTS transportation owner activity shall be 17% of the prescribed rates or equivalent tax replacing them levied on the licensee in respect of its NTS transportation owner activity and the Distribution Network transportation activity

c) In the event that a separate rating assessment is provided to one or more but not each of the licensee's Distribution Network transportation activities and NTS transportation owner activity the licensee shall perform attributions and allocations of cost in accordance with Special Condition 29.

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In the event that the licensee receives a separate rating assessment or assessments in respect of gas meters connected to the licensee's pipeline system on or after 1st April 2005 the resultant charges shall be allocated by the licensee between the Distribution Network transportation activity and NTS transportation owner activity in accordance with Special Condition 29, and shall accordingly be deemed to constitute an element of the Distribution Network prescribed rates and NTS prescribed rates as so allocated

APPENDIX 3

1. PROPOSED AMENDMENT TO AMENDED STANDARD CONDITION 1

Amend the following existing definitions:

“transportation arrangements”

means arrangements (including sub-duct arrangements defined in paragraph 2) whereby gas shippers may, from time to time and in different cases and circumstances, have gas introduced into, conveyed by means of and taken out of the licensee’s pipe-line system and arrangements falling within the preceding provisions of this definition shall be transportation arrangements notwithstanding that they may involve the utilisation of -

(a) facilities for the storage of gas in so far as the licensee uses them in connection with its independent systems, including such facilities so used for the purpose of conveying gas to such a system; or

(b) storage facilities used by the licensee solely for the diurnal storage of gas which has been introduced into its pipe-line system,

subject, however, to paragraphs 9 **and 11** of standard condition 4 (Charging Gas Shippers – General), **paragraph 11 of standard condition 4A (Obligations as Regard Charging Methodology)**, paragraphs 2 and 4 of standard condition 4E (Requirement to Enter into Transportation Arrangements in conformity with Network Code), and

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paragraph 6 of standard condition 25 (Long Term Development Statement) but excepting arrangements relating to services supplied pursuant to Special Condition 23 (Provision of metering and meter reading services);

“Supply of Transportation Services”

means the undertaking and performance for gain or reward of –

- (a) engagements in connection with the conveyance of gas through the Transportation System;
- (b) engagements for the prevention of the escape of gas which has been taken off the Transportation System

by the licensee for other persons except engagements relating to the acquisition or disposal of gas otherwise than for the efficient operation of the Transportation System or for replacing gas lost from that system, not being the provision of Metering Services or the provision of Meter Reading Services, ***subject, however, to paragraph 11 of standard condition 4A (Obligations as Regard Charging Methodology).***

APPENDIX 3

2. PROPOSED AMENDMENT TO AMENDED STANDARD CONDITION 4 INSERTION OF NEW PARAGRAH 11

- 11. *In this condition “transportation arrangements” shall have the meaning given in amended standard condition 1 save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-line system or any part thereof”.***

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PROPOSED AMENDMENT TO AMENDED STANDARD CONDITION 4A PARAGRAPH 11

In this condition:

“transportation business”

means the activities of the licensee connected with the development, administration, maintenance and operation of its pipe-line system or any part thereof and includes activities connected with the storage of gas in pursuance of LNG storage arrangements;

“transportation arrangements”

shall have the meaning given in amended standard condition 1 save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-line system or any part thereof”;

“supply of transportation services”

shall have the meaning given in amended standard condition 1 save that references therein to “transportation system” shall be construed as meaning the facilities which are used by the licensee for the conveyance of gas within Great Britain or any part thereof.