

## Attachment 5

### THE SPECIAL CONDITIONS

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**STANDARD SPECIAL CONDITIONS APPLICABLE TO BOTH NTS AND DN  
LICENSEES: PART A**

**Standard Special Condition A] ]. Disapplication of Section A (Interpretation, Application and Payments) and Section B (General) and Application of Standard Special Conditions applicable to both NTS and DN licensees.**

**[N.B. THIS CONDITION SETS OUT A PROPOSED MECHANISM FOR THE “SWITCH OFF” OF DESIGNATED STANDARD CONDITIONS APPEARING IN PARTS A AND B AND THE “SWITCH ON” OF STANDARD SPECIAL CONDITIONS. THE PROPOSAL FOR SUCH A SWITCH IS DISCUSSED IN THE CONSULTATION DOCUMENT AT PARAGRAPH 3.20.]**

1. Until the Authority has issued to the licensee a direction pursuant to paragraph 2, the Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) shall not have effect within this licence; and the licensee
  - (a) shall not be obliged to comply with any of the requirements of the Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) of this licence; and
  - (b) shall be obliged to comply with the requirements of the standard conditions contained in Sections A (Interpretation, Application and Payments) and B (General) of this licence.
  
2. The Authority may, with the consent of the licensee, issue a direction (a “Standard Special Conditions applicable to both NTS and DN licensees direction”). A Standard Special Conditions applicable to both NTS and DN licensees direction may specify that
  - (a) the Standard Special Conditions applicable to both NTS and DN licensees (in whole or in part) are to have effect in this licence; and
  - (b) the standard conditions in Sections A and B (in whole or, as the case may be, in part) shall not have effect within this licence

from the date specified in the direction.

3. Where the Authority has issued to the licensee a Standard Special Conditions applicable to both NTS and DN licensees direction,
  - (a) the Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of the Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction; and
  - (b) the standard conditions in Sections A and B (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of Sections A and B (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction..
4. The Authority may, with the consent of the licensee:
  - (a) vary the terms (as set out in the Standard Special Conditions applicable to both NTS and DN licensees direction or elsewhere) under which the Standard Special Conditions applicable to both NTS and DN licensees and/or the standard conditions set out in Section A and Section B (or parts thereof) have effect in this licence; or
  - (b) provide for the Standard Special Conditions applicable to both NTS and DN licensees (or parts thereof) to cease to have effect in this licence and/or the standard conditions set out in Section A and Section B (or parts thereof) to have effect in this licence.
5. The variation or cessation provided for in paragraph 4 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority under that paragraph of this condition.

**Standard Special Condition A] ]. [Private Collective Licence Modification Procedure in Respect of Standard Special Conditions applicable to both NTS and DN Licensees**

**[INSERT PRIVATE COLLECTIVE LICENCE MODIFICATION, DISCUSSED AT PARAGRAPHS 3.26-28 OF THE CONSULTATION DOCUMENT TO BE INSERTED HERE.]**

## **Standard Special Condition A[ ]. Definitions and Interpretation**

**[N.B. THE DEFINITIONS CONTAINED IN THIS STANDARD SPECIAL CONDITION ARE REVISED VERSIONS OF THE DEFINITION CONTAINED IN THE STANDARD CONDITIONS DESIGNATED BY THE SECRETARY OF STATE UNDER THE UTILITIES ACT. THEY DIFFER FROM THE “DESIGNATED” DEFINITIONS TO INCLUDE CHANGES TO CROSS REFERENCES WHERE THEY RELATE TO SPECIAL CONDITIONS RATHER THAN THE “DESIGNATED” STANDARD CONDITIONS.]**

1. Unless the context otherwise requires words and expressions used in the standard conditions of licence shall bear the same meaning in these Standard Special Conditions.
2. In these Standard Special conditions, unless the context otherwise requires -

“alternative accounting rules” for the purposes of Standard Special Condition A[ ] (Regulatory Accounts) only, has the meaning given in that condition;

“appropriate period” for the purposes of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) only, has the meaning given in that condition;

“charging methodology” for the purposes of Standard Special Condition A[ ] (Obligations as Regard Charging Methodology) only, has the meaning given in that condition;

“code modification rules”	for the purposes of Standard Special Condition A[ ] (Network Code) only, has the meaning given in that condition;
“code relevant objectives”	for the purposes of Standard Special Condition A[ ] (Network Code) only, has the meaning given in that condition;
“Compliance Officer”	for the purposes of Standard Special Conditions A[ ](Restriction on Use of Certain Information and Independence of the Transportation Business), and A[ ] (Appointment of Compliance Officer) only, has the meaning given in Standard Special Condition A[ ] (Appointment of Compliance Officer);
“consolidated transportation business”	for the purposes of Standard Special Condition A[ ] (Regulatory Accounts) only, has the meaning given in that condition;
“current cost assets”	for the purposes of Standard Special Condition A[ ] (Regulatory Accounts) only, has the meaning given in that condition;
“disposal”	has the meaning given in Standard Special Condition A[ ] (Disposal of Assets);

“the handbook”	for the purposes of Standard Special Condition A[ ] (Regulatory Accounts) only, has the meaning given in that condition;
“information covenantor”	for the purposes of Standard Special Condition A[ ] (Provision of Information to the Authority) only, has the meaning given in that condition;
<b><i>"Metering Business"</i></b>	<b><i>means the activities of the licensee in connection with the provision of Metering Services;</i></b>
<b><i>"Metering Equipment"</i></b>	<b><i>means the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of the licensee as at 1 April 1997;</i></b>
<b><i>"Metering Services"</i></b>	<b><i>means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of Metering Equipment;</i></b>
<b><i>"Meter Reading Business"</i></b>	<b><i>means the activities of the licensee in connection with the provision of Meter Reading Services;</i></b>
<b><i>"Meter Reading Services"</i></b>	<b><i>means the retrieval and verification of meter reading data from gas meters, the inspection of the meter from which data</i></b>

*is retrieved and the delivery of such data to any relevant person for the purpose of data processing, other than in relation to meter readings that the licensee obtains on its own behalf for the purpose of securing the efficient and economical physical operation of its pipe-line system;*

["Network Code"]

has the meaning given in standard condition 9 (Network Code)]; **[THE DESIGNATED DEFINITION OF NETWORK CODE CAN BE USED UNTIL AMENDMENT IS NEEDED TO REFERENCE THE UNIFORM NETOWRK CODE [AND OFFTAKE CODE] AS REQUIRED BY THE REVISED COMMERCIAL ARRANGEMENTS. THESE AMENDMENTS CAN BE PUT IN PLACE UNDER THE s8AA PROCESS]**

“network emergency co-ordinator”

for the purposes of Standard Special Condition A[ ] (Emergency Services and Enquiry Services Obligations) only, has the meaning given in that condition;

“permitted purpose”

for the purposes of Section C only, has the meaning given in Standard Special Condition A[ ] (Interpretation of Section C);

“regulatory accounts”	for the purposes of Standard Special Condition A[ ] (Regulatory Accounts) only, has the meaning given in that condition;
“relevant customer”	for the purposes of Standard Special Condition A[ ] (Emergency Services and Enquiry Service Obligations) only, has the meaning given in that condition;
“relevant methodology objective”	for the purposes of Standard Special Condition A[ ] (Obligations as Regards Charging Methodology) only, has the meaning given in that condition; <b>[THE DESIGNATED DEFINITION CAN BE USED UNTIL AMENDMENT IS NEEDED TO REFERENCE THE “STANDARD” SPECIAL CONDITION THAT WILL BE REQUIRED TO DEAL WITH, FOR EXAMPLE THE CO-ORDINATION FUNCTIONS OF THE “JOINT OFFICE”. THESE AMENDMENTS CAN BE PUT IN PLACE UNDER THE s8AA PROCESS]</b>
“storage asset”	for the purposes of Standard Special Condition A[ ] (Disposal of Assets) only, has the meaning given in that condition;
<b><i>“Supply of Transportation Services”</i></b>	<b><i>means the undertaking and performance for gain or reward of–</i></b>

*(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 Special Condition A[ ] (Obligations as Regard Charging Methodology).;*

“Supply Point Information Service”

for the purposes of Standard Special Condition A[ ] (Supply Point Information Service) only, has the meaning given in that condition;

“trading business”

for the purposes of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business ) only, has the meaning given in that condition;

“transportation arrangements”

means arrangements (including subduct 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 Special Condition A[ ] (Charging Gas Shippers – General), ***paragraph 11 of Standard Special Condition A[ ] (Obligations as Regard Charging Methodology)***, paragraphs 2 and 4 of Standard Special Condition A[ ] (Requirement to Enter into Transportation Arrangements in conformity with Network Code), and paragraph 6 of Standard Special Condition A[ ] (Long Term Development Statement) ***but***

*excepting arrangements relating to services supplied pursuant to Standard Special Condition A[ ] (Provision of metering and meter reading services);*

**[N.B. THESE LAST CROSS REFERENCES WILL FOLLOW THE AMENDMENT OF THE PROVISIONS IN QUESTION.]**

“transportation asset”

for the purposes of Standard Special Condition A[ ] (Disposal of Assets) only, has the meaning given in that condition;

“transportation business”

means the activities of the licensee connected with the development, administration, maintenance and operation of its pipe-line system subject, however, to paragraph 11 of Standard Special Condition A[ ] (Obligations as Regards Charging Methodology), paragraph 2 of Standard Special Condition A[ ] (Conduct of Transportation Business) and paragraph 9 of Standard Special Condition A[ ] (Provision of Information to the Authority);

**“Transportation System”**

***means the facilities which are used by the licensee for the conveyance of gas within Great Britain.***

2. In these Standard Special Conditions, except where the context otherwise requires -

- (a) any reference to “the relevant primary sub-deduct premises”, in relation to any secondary sub-deduct premises, is a reference to the primary sub-deduct premises to which gas was conveyed before its conveyance to those secondary sub-deduct premises;
  - (b) any reference to “sub-deduct arrangements”, in relation to any secondary sub-deduct premises, is a reference to arrangements which a gas shipper makes with the licensee in pursuance of which gas is taken out of the pipe-line system of the licensee at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises;
  - (c) any reference to “customer” shall, notwithstanding paragraph 3 include a person who is supplied with gas at secondary sub-deduct premises.
- 3. Any words or expressions used in the Utilities Act 2000 or Part I of the Act shall, unless contrary intention appears, have the same meanings when used in the Standard Special Conditions.
- 4. Except where the context otherwise requires, any reference to a numbered Standard Special Condition (with or without a letter) or Schedule is a reference to the Standard Special Condition (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the Standard Special Condition or Schedule in which the reference occurs, and reference to a [part] is a reference to that [part] in these Standard Special Conditions.
- 5. These Standard Special Conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words “it”, “its” and “which” there were substituted the words “she”, “her”, “hers” and “whom”, and cognate expressions shall be construed accordingly.
- 6. Except where the context otherwise requires, a reference in a Standard Special Condition to a paragraph is a reference to a paragraph of that condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.

7. Any reference in these Standard Special Conditions to -
- (a) a provision thereof;
  - (b) a provision of the standard conditions of gas transporters' licences;
  - (b) a provision of the standard conditions of gas shippers' licences, or
  - (c) a provision of the standard conditions of gas suppliers' licences,
- shall, if these conditions or the Standard Special Conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the standard conditions in question as modified.
8. In construing these Standard Special Conditions, the heading or title of any Standard Special Condition or paragraph shall be disregarded.
9. Any reference in a Standard Special Condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence and as incorporated in each other licence under section 7 of the Act (whenever granted) which incorporates it.
10. Anything required by or under these Standard Special Conditions to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case:
- (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first-class post as soon as is reasonably practicable, and
  - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.
12. The definitions referred to in this condition may include some definitions which are not used or not used exclusively in Standard Special Conditions which are incorporated in all transporter licences. Where -

- (a) any definition is not used in these Standard Special Conditions, a definition shall, for the purposes of this licence, be treated -
  - (i) as part of the Standard Special Condition in which it is used;
  - (i) as not having effect in the licence until such time as the Special Condition in which the definition is used has effect within the licence in pursuance of Standard Special Condition A[ ] (Disapplication of Section A (Interpretation, Application and Payments) and Section B (General) and Application of Standard Special Conditions applicable to both NTS and DN licensees).;
- (b) any definition which is used in these Standard Special Conditions is also used in one or more other Sections -
  - (i) that definition shall only be modifiable in accordance with the modification process applicable to each of the Standard Special Conditions in which it is used; and
  - (ii) if any such Standard Special Condition is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.

13. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978 -

- (a) these Standard Special Conditions shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the said Act of 1978, and
- (b) words or expressions used in these special conditions which are also used in Part I of the Act or the standard conditions of gas transporters licences shall, unless the contrary intention appears, have the same meaning when used in these special conditions.

14. Where the licensee is required by these conditions to do anything within a specified period or by a specified time but fails to do so, that requirement shall

continue to have effect after the expiry of that period or after that time without prejudice, however, to any consequence of its not having done that thing within the specified period or by the specified time.

**Standard Special Condition A[ 1]. Charging Gas Shippers – General**

[N.B. THIS CONDITION INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE AMENDMENTS TO THE “DESIGNATED” STANDARD CONDITION MADE TO DEAL WITH THE ISSUES RAISED BY AUCTIONS. THIS SPECIAL CONDITION WILL REQUIRE FURTHER AMENDMENT TO INCORPORATE FURTHER RESTRICTIONS ON THE FREEDOM OF LICENSEES TO AMEND THEIR CHARGES.

THESE AMENDMENTS MAY INCLUDE RESTRICTIONS (EFFECTED THROUGH A REASONABLE ENDEAVOURS OBLIGATION) ON THE NUMBER OF CHANGES THAT CAN BE MADE PER YEAR AND DATE ON WHICH SUCH CHANGES CAN BE INTRODUCED. THIS CONDITION MAY ALSO REFERENCE THE CO-ORDINATION ROLE OF THE JOINT OFFICE AND WILL BE INTRODUCED WHEN POLICY HAS BEEN DEVELOPED. THESE CHANGES CAN BE INCORPORATED IN THE s8AA PROCESS. OFGEM IS SEEKING VIEWS ON THESE ISSUES.]

1. The licensee shall furnish the Authority with a statement of -
  - (a) the charges to be made in pursuance of transportation arrangements *other than those sold by way of an auction pursuant to which the price payable for such transportation arrangements is determined* with specified descriptions of gas shippers in different specified cases or descriptions of cases;
  - (b) *the reserve price, if any, to be applied in any auction in respect of transportation arrangements;* and
  - (c) the methods by which, and the principles on which, those charges *or reserve prices* are determined in accordance with the methodology referred to in paragraph 5;

and, without prejudice to paragraph 2, if any change is made in the charges to be so made, *or in the reserve prices to be applied*, or in the methods by which, or the principles on which, those charges *or reserve prices* are to be so determined, the

licensee shall, before the change takes effect or, if that is not reasonably practicable, as soon as is reasonably practicable thereafter, furnish the Authority with a revision of the statement or, if the Authority so accepts, with amendments to the previous statement, which reflect the change.

2. The licensee shall -

- (a) give the Authority notice of any proposals which it is considering to change the charges *or reserve prices* mentioned in paragraph 1, together with a reasonable estimate of the effect of the proposals (if implemented) on those charges *or auctions for which the reserve prices are to be applied*, and shall use all reasonable endeavours to do so at least 150 days before the proposed date of their implementation; and
- (b) where the licensee has decided to implement any proposals to change the charges *or reserve prices* mentioned in paragraph 1, give the Authority notice of this decision and the date on which the proposals will be implemented which shall not, unless the Authority otherwise consents, be less than a month after that on which the notice required by this sub-paragraph was given.

3. The licensee shall -

- (a) publish any statement, or revision or amendment of a statement, furnished, or notice given, under paragraph 1 or 2 in such manner as will, in its reasonable opinion, secure adequate publicity for it; and
- (b) send a copy of any such statement, revision, amendment or notice so published to any person who asks for one.

4. Except in a case in which the Authority accepts otherwise, the licensee shall only enter into transportation arrangements which *either*

- (a) secure that the charges in pursuance thereof will be in conformity with the statement last published under paragraph 3 either -
  - (i) before it enters into the arrangements; or
  - (ii) before the charges in question from time to time fall to be made,and, for the purposes of this paragraph, the reference to the statement last published under paragraph 3 shall be construed, where that statement is

subject to amendments so published before the relevant time, as a reference to that statement as so amended; *or*

- (b) *are subject to prices set in an auction process which include either –*
  - (i) *a reserve price in conformity with the statement last published under paragraph 3 before the auction took place; or*
  - (ii) *no reserve price.*

5. Subject to paragraph 6, the licensee shall -

- (a) establish a methodology showing the methods by which, and the principles on which (except in a case in which the Authority accepts otherwise) such charges as are mentioned in paragraph 1(a) *and such reserve prices as are mentioned in paragraph 1(b)* are to be determined; and
- (b) conform to the methodology so established as from time to time modified in accordance with Standard Special Condition A[ ] (Obligations as Regards Charging Methodology).

6. In any case in which the licensee is willing to enter into storage arrangements in respect of such facilities as are mentioned in paragraph 9 –

- (a) if the charges in pursuance of those arrangements are not governed by the methodology established under paragraph 5, the licensee shall avoid any undue preference or undue discrimination in the terms on which it enters into such arrangements; and
- (b) if either those charges or any charges made in pursuance of transportation arrangements other than storage arrangements are not governed as aforesaid, the licensee shall ensure so far as is reasonably practicable, that no unjustified cross-subsidy is involved between the terms on which it enters into the storage arrangements and those on which it enters into other transportation arrangements.

7. Any question which arises under paragraph 6 as to whether a cross-subsidy is unjustified, shall be determined by the Authority.

8. References in paragraphs 1 to 5 to charges do not include references to -
- (a) charges related to the acquisition or disposal of gas for purposes connected with the balancing of the licensee’s pipe-line system; or
  - (b) to the extent (if any) to which the Authority has accepted that they should, as respects certain matters, be so determined, to charges determined by reference to provisions in that behalf set out in the Network Code,
- and, subject as aforesaid, references in this condition and in Standard Special Condition A[ ] (Obligations as Regards Charging Methodology) and A[ ] (Connection Charges etc) to charges-
- (i) include references to the means whereby charges may be ascertained; and
  - (ii) exclude references to supplemental charges within the meaning of standard condition 4C (Charging Gas Shippers – Supplemental Connection Charges).
9. In this condition “transportation arrangements” includes storage arrangements which relate to the utilisation of –
- (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata, or
  - (c) containers for the storage of gas in a liquid state..
10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 9(a), (b) or (c) and the Authority’s view on that question, considers it appropriate that paragraph 9 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three subparagraphs come to be omitted, paragraphs 6 and 7, paragraph 9 and the reference thereto in the definition of “transportation arrangements” in condition 1 shall cease to have effect..
11. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A[ ] (Definitions and Interpretation) 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”.

## **Standard Special Condition A[ ] . Obligations as Regard Charging Methodology**

**[N.B. THIS CONDITION INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE AMENDMENTS TO THE “DESIGNATED” STANDARD CONDITION MADE TO DEAL WITH THE ISSUES RAISED BY AUCTIONS. THIS SPECIAL CONDITION WILL REQUIRE FURTHER AMENDMENT TO INCORPORATE FURTHER RESTRICTIONS ON THE FREEDOM OF LICENSEES TO AMEND THEIR CHARGING METHODOLOGIES.**

**THESE AMENDMENTS MAY INCLUDE RESTRICTIONS (EFFECTED THROUGH A REASONABLE ENDEAVOURS OBLIGATION) ON THE NUMBER OF CHANGES THAT CAN BE MADE PER YEAR AND DATE ON WHICH SUCH CHANGES CAN BE INTRODUCED. THIS CONDITION MAY ALSO REFERENCE THE CO-ORDINATION ROLE OF THE JOINT OFFICE AND WILL BE INTRODUCED WHEN POLICY HAS BEEN DEVELOPED.**

**IN ADDITION, OFGEM CONSIDERS IT APPROPRIATE TO INTRODUCE AN OBLIGATION ON NTS AND DN-GT LICENCE HOLDERS TO KEEP THE CHARGING METHODOLOGY UNDER REVIEW AT ALL TIMES IN ORDER TO ENSURE THAT THERE IS CO-ORDINATION, CONSISTENCY AND BEST PRACTICE IN THE ACHIEVEMENT OF THE RELEVANT OBJECTIVES.**

**OFGEM IS SEEKING TO RETAIN THE REFERENCES TO AUCTIONS IN ALL LICENCES, ALTHOUGH THEY WILL BE OF NO EFFECT IN THE LICENCE OF THOSE GTS WHICH DO NOT CONDUCT AUCTIONS.**

**THESE CHANGES CAN BE INCORPORATED IN THE s8AA PROCESS. OFGEM IS SEEKING VIEWS ON THESE ISSUES.]**

1. Except in so far as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraphs 2 and 3, from time to time make such modifications of the methodology established in pursuance of paragraph 5 of Standard Special Condition A[ ] (Charging of Gas Shippers – General) (“the charging methodology”) as may be requisite for the purpose of achieving the relevant methodology objectives.

2. Except in so far as the Authority otherwise approves, the licensee shall not make a modification of the charging methodology unless it has -
  - (a) consulted the relevant shippers on the proposed modification and allowed them a period of not less than 28 days within which to make written representations; and
  - (b) furnished the Authority with a report setting out -
    - (i) the terms originally proposed for the modification;
    - (ii) the representations (if any) made by relevant shippers; and
    - (iii) any change in the terms of the modification intended in consequence of such representations,and unless 28 days have elapsed since the said report was furnished without the Authority having given the licensee a direction requiring that the modification be not made.
3. Subject to paragraph 4, the licensee shall in each calendar year furnish the Authority with a report on the application of the charging methodology during the 12 months preceding 1st October in that year including a statement as to -
  - (a) the extent to which, in the licensee's opinion, the relevant methodology objectives have been achieved during the period to which it relates;
  - (b) whether those objectives could more closely be achieved by modification of the charging methodology; and
  - (c) if so, the modifications which should be made for that purpose.
4. As respects the calendar year in which this licence came into force:
  - (a) if it came into force on or after 1 October in that year, paragraph 3 shall not apply; or
  - (b) if it came into force before that date, paragraph 3 shall have effect as if for the reference to the 12 months preceding that date there were substituted a reference to the period preceding that date beginning with the date on which the licence came into force.
5. In paragraphs 1 and 3 "the relevant methodology objectives" means, subject to paragraph 6, the following objectives -

- (a) *save in so far as paragraph (aa) applies*, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;
- (aa) *that, in so far as prices in respect of transportation arrangements are established by auction, either:*
  - (i) *no reserve price is applied, or*
  - (ii) *that reserve price is set at a level -*
    - (I) *best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and*
    - (II) *best calculated to promote competition between gas suppliers and between gas shippers;*
- (b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business; and
- (c) that, so far as is so consistent, compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers.

6. Where -

- (a) the charging methodology results in charges which, or the revenue derived from which, are, in the main, not controlled or limited in pursuance of any standard condition of this licence other than Standard Special Condition A[ ] (Charging of Gas Shippers – General); and
- (b) the Authority has not accepted that, for a specified period, this paragraph should not apply or has so accepted subject to standard conditions which are not satisfied,

“the relevant methodology objectives” shall include the following objective, namely, that the charging methodology results in charges which, taking one charge with another and one year with another, permit the licensee to make a reasonable profit, and no more, from its transportation business so, however, that, for the purposes of this paragraph, there shall be disregarded -

- (i) costs incurred for the purposes of that business in connection with the construction of pipe-lines for the benefit of an area for the time being

designated for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges);

- (ii) revenue derived from that business by way of charges (within the meaning of standard condition 4B (Connection Charges etc)) to which any provisions of that standard condition have effect and which are in respect of premises within an area for the time being so designated;
- (iii) revenue derived from that business by way of supplemental charges (within the meaning of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges)); and
- (iv) any payments made by the licensee in connection with the proposed development of an area for the time being not so designated to a person who has an interest in land in that area, other than by way of reasonable consideration for an interest in land or for goods or services with which the licensee is provided,

and, for the purposes of this paragraph, “costs” and “revenue” mean costs and revenue determined on an accrual basis.

7. The licensee shall comply with any direction given from time to time by the Authority requiring the licensee -
  - (a) subject to paragraphs 8 and 9 to publish such information as may be specified or described in the direction -
    - (i) as to any of the costs incurred by the licensee in its transportation business, or
    - (ii) relating to the charging methodology as modified from time to time in accordance with paragraph 1; and
  - (b) to do so in such form and manner and with such frequency as may be so specified.
8. The licensee shall not be required by paragraph 7 to publish any information or any document -
  - (a) which it could not be compelled to give in evidence or produce in civil proceedings before the court; or
  - (b) so far as it comprises information relating to costs incurred in connection with the construction of pipe-lines for the benefit of an area for the time being

designated for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges) or so incurred in preparation for the area becoming so designated.

9. In publishing any information in pursuance of paragraph 7 the licensee shall have regard to the need for excluding, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests.
10. Any question arising under paragraph 9, as to whether the publication of some matter which relate to the affairs of a person would or might seriously and prejudicially affect his interests, shall be determined by the Authority.
11. In this condition “transportation business” includes activities connected with the storage of gas in pursuance of storage arrangements which relate to the utilisation of –
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state.
12. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 11(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 11 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three sub-paragraphs come to be omitted, paragraph 11 and the reference thereto in the definition of “transportation business” in Standard Special Condition A[ ] (Definitions and Interpretation ) shall cease to have effect.

**Standard Special Condition A] ]. Conduct of Transportation Business**

**[N.B THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION IN ORDER TO REPRODUCE THE PROVISIONS OF PARAGRAPH 4 WHICH ARE CONTAINED IN THE AMENDED STANDARD CONDITION CURRENTLY APPLICABLE IN TRANSCO PLC’S LICENCE.**

**OFGEM CONSIDERS THAT THIS CONDITION MAY REQUIRE FURTHER MODIFICATION TO DEAL WITH ANY POTENTIAL COMPETITION ISSUES WHICH MAY ARISE FROM THE IDENTITY OF ANY PURCHASER OF A DISTRIBUTION NETWORK. OFGEM IS SEEKING VIEWS ON THIS ISSUE]**

1. The licensee shall conduct its transportation business in the manner best calculated to secure that neither -
  - (a) the licensee or any affiliate or related undertaking of the licensee, nor
  - (b) any gas shipper or gas supplier,obtains any unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the licensee, one in connection with a business other than its transportation business.
2. In this condition “transportation business” includes –
  - (i) storage arrangements which relate to the utilisation of:
    - (a) an offshore gas storage installation;
    - (b) storage cavities in natural strata;
    - (c) containers for the storage of gas in a liquid state; and
    - (d) the Provision of Metering Services and Meter Reading Services
  - (ii) if the licensee has been designated as the Designated Registrar of Pipes pursuant to standard condition 33 (Designated Registrar of Pipes), the functions of the Designated Registrar of Pipes.

3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 2 and its view on that question, considers it appropriate that paragraph 2 should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and if all three sub-paragraphs come to be omitted, paragraph 2 and the reference thereto in the definition of “transportation business” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.
4. ***If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to either metering or meter reading and its view on that question, considers it appropriate that references to either the provision of metering services or of meter reading services should be deleted for the purpose of paragraph 2 of this condition, those references shall cease to have effect from the date or dates specified in a notice published by the Authority for that purpose.***

**Standard Special Condition A] ]. Requirement to Enter into Transportation Arrangements in Conformity with Network Code**

**[N.B. THIS CONDITION WILL REQUIRE AMENDMENT TO MAKE REFERENCE TO THE AMENDED COMMERCIAL ARRANGEMENTS PUT IN PLACE THROUGH THE UNIFORM NETWORK CODE/OFF-TAKE ARRANGEMENTS. THIS CONDITION MAY ALSO BE REQUIRED TO BE ACCOMPANIED BY A SPECIAL CONDITION FOR THE NTS (AND POSSIBLY DN LICENSEES) DEALING WITH THE IMPLICATIONS OF THE LNG STORAGE ARRANGEMENTS. OFGEM IS SEEKING VIEWS ON THESE ISSUES].**

1. Except in a case in which the Authority accepts otherwise, the licensee shall only enter into transportation arrangements which are in conformity with any relevant provisions of the Network Code.
2. In this condition “transportation arrangements” includes storage arrangements which relate to the utilisation of –
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (b) containers for the storage of gas in a liquid state.
3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 2(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 2 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three subparagraphs come to be omitted, paragraph 2 and the reference thereto in the definition of “transportation arrangements” in standard condition 1 (Definitions and interpretation) shall cease to have effect..

4. If and in so far as the Authority so consents, this condition shall have effect as if the definition of “transportation arrangements” in Standard Special Condition A[ ] (Definitions and interpretation) referred only to gas consisting wholly or mainly of methane.
  
5. ***The licensee shall comply with any obligation in the Network Code to disclose information relating to:***
  - (i) the operation of the licensee’s pipe-line system; or***
  - (ii) any market relating to the licensee’s pipe-line system.***

## **Standard Special Condition A] 1. Emergency Services and Enquiry Service Obligations**

**[N.B. THIS CONDITION IS INCORPORATED AS A SPECIAL CONDITION TO ACCOMMODATE THE AMENDMENTS MADE TO THE “DESIGNATED” STANDARD CONDITION CONTAINED IN THE AMENDED STANDARD CONDITION IN TRANSCO PLC’S LICENCE. OFGEM IS SEEKING VIEWS ON WHETHER THIS CONDITION SHOULD BE BROADENED IN SCOPE TO COVER THE PROVISION OF EMERGENCY SERVICES TO OTHER GAS TRANSPORTERS IN CIRCUMSTANCES OTHER THAN WHEN A MAJOR LOSS OF SUPPLY HAS OCCURRED.]**

1. The licensee shall -
  - (a) establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of, in co-ordination with all other gas transporters a single continuously manned telephone service for use by any person, with the facilities mentioned in paragraph 2, for the receipt of reports and the offering of information, guidance or advice about any matter or incident that -
    - (i) causes danger or requires urgent attention, or is likely to cause danger or require urgent attention, in relation to the supply of gas conveyed through pipes; or
    - (ii) involves the escape of gas from a network or from a gas fitting supplied with gas from a network (where the reference to an escape of gas from a gas fitting includes a reference to an escape or emission of carbon monoxide gas resulting from incomplete combustion of gas in such a fitting);
  - (b) arrange with other gas transporters for the information contained in reports received by that service of escapes of gas in respect of which the licensee may have any obligations to be given without delay to the licensee; and
  - (c) secure adequate publicity for the service and its telephone number, having regard, in particular, to the special needs of blind or partially sighted persons.

2. The facilities referred to in paragraph 1(a) shall include facilities for deaf or partially hearing persons which will assist them (if they have the equipment enabling them to take advantage thereof) to use the service.
3. The service established by the licensee in accordance with paragraph 1(a) shall -
  - (a) be provided without charge by the licensee to the user at the point of use; and
  - (b) ensure that all reports and enquiries are processed in a prompt and efficient manner.
4. In the establishment and operation of the service in accordance with paragraph 1 the licensee shall not discriminate between any persons or class or classes thereof.
5. In the establishment and operation of the service in accordance with paragraph 1 the licensee shall not restrict, distort or prevent competition in the supply of gas.
6. The licensee shall prepare and submit a statement setting out details of the service to be provided in accordance with paragraph 1, and the licensee shall give or send a copy of such statement to any person requesting it.
7. The licensee shall take steps to inform users of the service of any change to the telephone number of the service established in accordance with paragraph 1 as soon as is practicable prior to such change becoming effective.
8. Subject to paragraph 9, the licensee shall make arrangements which will secure that in preventing an escape of gas in any premises to which it conveys gas (or, where it conveys gas to any primary sub-deduct premises, in any secondary sub-deduct premises to which the gas is subsequently conveyed) -
  - (a) the prevention is effected, so far as it is reasonably practicable and safe to do so -
    - (i) in such a way as to maintain the supply of gas to those premises and to appliances designed for use by domestic customers for heating or cooking; and
    - (ii) by carrying out any appropriate minor repairs to appliances;
  - (b) the prevention is effected, so far as is reasonably practicable, by a person adequately trained to recognise signs of leakage of carbon monoxide and

instructed to report any such signs to the owner or occupier of the premises;  
and

- (c) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises, as to persons in the locality who are members of a class of persons permitted pursuant to regulations under the Health and Safety at Work etc Act 1974 to perform repairs on gas fittings.
9. Nothing in paragraph 8(a) shall oblige the licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than £4.65, adjusted in accordance with standard condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) by reference to the day on which the premises were entered for that purpose.
  10. Except in the case of changes reasonably consequential upon an extension or a restriction of its licence, which are made with effect from the effective date of the extension or the restriction, the licensee shall not make any material change in the arrangements except with the consent of the Authority.
  11. The licensee shall use its best endeavours to ensure, so far as is reasonably practicable, that it conducts itself towards domestic customers in conformity with the arrangements.
  12. Paragraph [13] shall apply in relation to relevant customers (defined in paragraph [19]) and the premises of relevant customers.
  13. Where the licensee considers that, for reasons of safety (not being reasons relating solely to particular premises or a particular locality), the supply of gas to any relevant customer or the conveyance of gas to that customer's premises needs to be interrupted, reduced or restricted, the licensee shall, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety -
    - (a) when making such a request of a relevant supplier or shipper as is mentioned in paragraph 2 of standard condition 14 (Security and Emergency Arrangements) of the standard conditions of gas suppliers' licences or

paragraph 2 of standard condition 5 (Obligations as Respects Emergencies etc) of the standard conditions of gas shippers' licences;

(b) when telling a relevant customer that he should refrain from using gas, in pursuance of such a term of that customer's contract for the supply of gas as is mentioned in paragraph 3(b) of standard condition 15 (Security and Emergency Arrangements) of the standard conditions of Gas Suppliers' licences, or

(c) when interrupting, reducing or restricting the conveyance of gas,

give priority to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, relevant customers or classes of relevant customers in accordance with, and to the extent specified in the list required by paragraph [15], and (to the extent that they supersede or supplement such list) such directions as may from time to time have been given by the Secretary of State under paragraph [17] or [18].

14. Where the reasons of safety referred to in paragraph [13] relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain, the licensee shall so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety -

(a) (i) consult the network emergency co-ordinator; or

(ii) where the licensee is the network emergency co-ordinator, inform and if appropriate consult the Secretary of State,

on the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of that paragraph; and

(b) shall do so before taking any such steps.

15. The licensee, if licensed under section 7(2)(a) of the Act, shall -

(a) unless it has done so before being so licensed, establish a list of relevant customers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises; and

- (b) as often as is appropriate, review the list, and so far as appears appropriate, amend it, after consultation with all relevant shippers which appear to the licensee to have an interest in the proposed amendment, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Secretary of State.
  
- 16. When the licensee establishes, reviews or amends any list established under paragraph [15], it shall comply with any direction given by the Secretary of State as to:
  - (a) the classes of relevant customers on which the list is to be based;
  - (b) any other criteria on which the list is to be based;
  - (c) any other customers or classes of customers specifically required to be included in the list; and
  - (d) the nature and extent of any priority which will be given to any relevant customer or class of relevant customer as specified in the list.
  
- 17. The licensee shall comply with any directions given by the Secretary of State for the purposes of this condition generally requiring priority to be given, in such manner and to such extent as may be specified in the directions, to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, one or more relevant customers or classes of relevant customers.
  
- 18. Any question arising under this condition as to whether a particular relevant customer is required to be included in the list established, reviewed or amended under paragraph [15] shall be determined by the Secretary of State.
  
- 19. In this condition –
  - (a) “network emergency co-ordinator” shall be construed in the same manner as that term is construed in the Gas Safety (Management) Regulations 1996; and
  - (b) “relevant customer” includes –
    - (i) any person who is supplied by a relevant supplier with gas conveyed to a particular supply point at a rate which is reasonably expected to exceed 732,000 kilowatt hours a year, to the extent that the terms on which that

person is supplied permit such supply to be interrupted or reduced only in pursuance of such a term as is mentioned in paragraph 3 of standard condition 15 (Security and Emergency Arrangements) of the standard conditions of gas suppliers' licences or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976; and

(ii) any person mentioned in any direction given by the Secretary of State in relation to paragraph [16](c) of this condition.

20. References in this condition to the maintenance of supply or conveyance of gas include references to the resumption of such supply or conveyance following its interruption or reduction.
21. Charges for the provision of services under this condition shall be set at a level which will allow the licensee to recover no more than its reasonable costs and a reasonable profit in providing this service.

## **Standard Special Condition A] ]. Provision and Return of Meters**

**[N.B. THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE CHANGES MADE TO THE “DESIGNATED” STANDARD CONDITION UNDER THE RGMA CHANGES INTRODUCED TO TRANSCO PLC’S LICENCE IN JULY 2004.]**

1. Subject to paragraph 2, the licensee shall comply with any reasonable request by a relevant *supplier* (or a gas *supplier* who is about to become such a *supplier*) to provide *through a Meter Asset Manager* and install at the premises of a domestic customer a gas meter owned by it and of a type specified by the *supplier* subject, however, to a meter of that type being reasonably available to the licensee and the *supplier* agreeing to pay its charges in respect of the meter.

**1A** *For the purposes of paragraph 1, “Meter Asset Manager” means:*

- (a) a person approved by the Authority as possessing expertise satisfactorily to provide Meter-Related Services or a class or description of persons so approved (“the relevant enterprise”); or*
- (b) an undertaking approved by the Authority as having staff possessing the relevant expertise*

*and for the purposes of this definition,*

- (i) “approved by the Authority” means approved by it for the purposes of this condition generally and “staff” includes officers, servants and agents; and*
- (ii) “Meter-Related Services” means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of Transco plc as at the date this paragraph 1A has effect.*

2. Paragraph 1 shall not apply where -

- (a) the premises in question are secondary sub-deduct premises; and

- (b) the owner or occupier of the premises has not agreed that the licensee may enter the premises for the purpose of removing the meter when the owner or occupier no longer requires the meter or the supply of gas.
- 3. Where any gas meter owned by the licensee is disconnected by, or returned to, the licensee it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity of, and the date of disconnection or return of, the meter and the premises from which it was disconnected to be ascertained, and shall keep such a record for a period of not less than 2 years from the date of the disconnection or return, whichever is the later.
- 4. Where the licensee has reasonable cause to believe that any gas meter owned by it and disconnected by, or returned to, it is or may be relevant to -
  - (a) any investigation, proceedings or possible proceedings relating to the alleged theft of gas by any person or to an alleged offence under paragraph 10(1) of Schedule 2B to the Act; or
  - (b) any dispute as to the accuracy of the meter,the licensee shall use all reasonable endeavours to keep the meter in safe custody in the standard condition in which it was when disconnected or returned and with the register unaltered -
  - (i) during the period of 6 months beginning with the date on which the meter was disconnected or returned, for as long as the licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and
  - (ii) thereafter, for as long as, to the licensee's knowledge, the meter is so relevant.
- 5. When the licensee receives, in connection with a proposed connection or disconnection of a meter, such a notice as is mentioned in sub-paragraph (1) of paragraph 12 of Schedule 2B to the Act or receives information in pursuance of sub-paragraph (3) of that paragraph, it shall promptly give the relevant shipper a copy thereof and furnish it with any further information relating to the meter which is requested by the shipper and which the licensee either has or may readily obtain.

6. Where the record kept by the licensee under paragraph 8 of standard condition 5 (System Development Obligations) shows that a relevant supplier has supplied gas to particular premises for less than 2 years and that the supplier has not, since it began to supply gas to those premises, secured an inspection of the meter for the purposes of standard condition 17 (Reading, Inspection and Testing of Meters) of the standard conditions of Gas Suppliers' licences as incorporated in its licence, the licensee shall give to the relevant shipper, for transmission to the supplier (except where the recipient of the notice is itself the supplier), not less than 4 months' notice of the date by which the next such inspection should be carried out, being a date falling not more than 2 years after the date shown in the licensee's record as the date of the last such inspection or, if later, 5 months after the licensee is informed that the supplier has begun to supply gas to the premises.

## **Standard Special Condition A[ ] Network Code**

**[N.B. THIS CONDITION WILL REQUIRE AMENDMENT TO MAKE REFERENCE TO THE AMENDED COMMERCIAL ARRANGEMENTS PUT IN PLACE THROUGH THE UNIFORM NETWORK CODE/OFF-TAKE ARRANGEMENTS. THIS CONDITION WILL ALSO NEED TO BE AMENDED TO PROVIDE FOR THE ESTABLISHMENT OF THE “JOINT OFFICE” AND THE REQUIREMENT TO MAKE USE OF THE AGENCY FUNCTION. A NEW “RELEVANT OBJECTIVE MAY ALSO BE INTRODUCED IN RELATION TO THE OPERATION OF THE UNC.**

**OFGEM ALSO CONSIDERING WHETHER FURTHER AMENDMENT TO THE CONDITION IS REQUIRED TO ENSURE THAT THE MODIFICATION PROCEDURES FOR THE CODES SETTING OUT THE REVISED COMMERCIAL PROCEDURES SHOULD FORM PART OF THE CODES THEMSELVES. OFGEM IS SEEKING VIEWS ON THESE ISSUES].**

1. The licensee shall establish transportation arrangements in respect of matters other than those to which Special Conditions [ ] (Charging Gas Shippers - General) and A[ ] (Obligations as Regards Charging Methodology) relate which are calculated, consistently with the licensee’s duties under section 9 of the Act, to facilitate the achievement of the following objectives -
  - (a) the efficient and economic operation by the licensee of its pipe-line system;
  - (b) so far as is consistent with sub-paragraph (a), the efficient discharge of its obligations under this licence;
  - (c) so far as is consistent with sub-paragraphs (a) and (b), the securing of effective competition between relevant shippers and between relevant suppliers; and
  - (d) so far as is so consistent, the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas

Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers,

hereinafter referred to as "the code relevant objectives".

2. The licensee shall -

- (a) prepare a document (in this licence referred to as the "Network Code") setting out (together with the terms of any other arrangements which the licensee considers it appropriate to set out in the document) the terms of the arrangements made in pursuance of paragraph 1 save in so far as they relate to matters regulated by standard condition 4B (Connection Charges etc) or 4C (Charging Gas Shippers – Supplemental Connection Charges) or are contained in such an agreement, or an agreement of such a class or description, as may be designated by the Authority for the purposes of this condition; and
- (b) furnish the Authority with a copy thereof.

3. Where a provision of the Network Code requires that, in circumstances specified in the provision, a determination by the licensee in pursuance of that provision in a particular case should be such as is calculated to facilitate the achievement of the code relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.

**3A. Where the Network Code makes provision for the balancing –**

- (a) by the licensee of its pipe-line system and**
- (b) the relevant shippers of the gas they arrange with the licensee to introduce into and take off that system**

**through a market established by a person who is independent of the licensee then the following paragraphs 3B, 3C and 3D shall apply.**

**3B. The licensee shall in appointing any such operator as is mentioned in paragraph 3A use all reasonable endeavours to appoint a person having –**

- (a) financial resources,**

*(b) skilled and experienced personnel, and*

*(c) systems*

*adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.*

**3C.** *The requirement in paragraph 3B shall be treated as satisfied in respect of any appointment if the licensee appoints as operator a person who, at the time of appointment, is –*

*(a) a person recognised by the Financial Services Authority under the Financial Services Act 1986 as an investment exchange; or*

*(b) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.*

**3D** *If a person appointed by the licensee in reliance on paragraph 3C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee shall use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 3B.*

4. The licensee shall establish and operate such procedures as are mentioned in paragraph 5 for the modification of the Network Code so as to better facilitate, consistently with the licensee's duties under section 9 of the Act, the achievement of the code relevant objectives.

5. The procedures referred to in paragraph 4 shall be such as provide for -

(a) the reviewing of the Network Code;

(b) the making of proposals for its modification either by the licensee or by a relevant shipper or by a third party participant;

- (c) the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant shippers and sending a copy of the proposal to any gas shipper or other person who asks for one;
- (d) the seeking of the views of the Authority on any matter connected with any such proposal;
- (e) the consideration of any representations relating to such a proposal made (and not withdrawn) by a relevant shipper or by any gas shipper or other person likely to be materially affected were the proposal to be implemented, and
- (f) where the Authority accepts that the Network Code may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable.

6. The licensee shall -

- (a) prepare a document ("the code modification rules") setting out the procedures established in pursuance of paragraph 4, and shall furnish the Authority with a copy thereof. The code modification rules shall identify persons, either individually or by reference to a class of persons, who are not shippers but who may propose modifications to part or all of the Network Code ("third party participants");
- (b) not make any change in the code modification rules except -
  - (i) after consulting all relevant shippers and considering any representations made by such a shipper;
  - (ii) after furnishing the Authority with a report on such consultation and its consideration of any such representations; and
  - (iii) with the consent of the Authority, and
- (c) furnish the Authority with a copy of any change which is made.

7. The licensee shall not make any modification to the Network Code except -
  - (a) to comply with paragraph 9(b) or 10; or
  - (b) with the consent of the Authority,and shall furnish the Authority with a copy of any modification made.
  
8. Where the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from the conveyance of gas through its pipe-line system and a modification to the Network Code could, consistently with the code relevant objectives, appropriately deal with the matter, the licensee shall propose such a modification in accordance with the code modification rules, and any requirement that a modification be such as to better facilitate the achievement of the code relevant objectives shall be treated as met if the modification is consistent with those objectives.
  
9. Where a proposal is made in accordance with the code modification rules to modify the Network Code, the licensee shall –
  - (a) as soon as is reasonably practicable, give notice to the Authority -
    - (i) giving particulars of the proposal;
    - (ii) where the proposal is made by a relevant shipper, drawing attention to any alternative proposal to modify the Network Code in respect of the same matter which has been made by the licensee;
    - (iii) giving particulars of any representations by a gas shipper or other person with respect to those proposals;
    - (iv) stating whether, in the licensee's opinion, any proposed modification should or should not be made;
    - (v) stating the factors which, in its opinion, justify the making or not making of a proposed modification; and

- (vi) giving such further information as may be required to be given to the Authority by the code modification rules, and
  - (b) comply with any direction given by the Authority to make a modification to the Network Code in accordance with a proposal described in a notice given to the Authority under sub-paragraph (a) which, in the opinion of the Authority, will, as compared to the existing provisions of the Network Code or any alternative proposal, better facilitate, as mentioned in paragraph 4, the achievement of the code relevant objectives.
- 10. Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the Network Code as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Special Condition A[ ] (Requirement to Enter into Transportation Arrangements in Conformity with Network Code).
- 11. The licensee shall -
  - (a) prepare and publish a summary of the Network Code and of the code modification rules as modified or changed from time to time in such form and manner as the Authority may from time to time direct; and
  - (b) send a copy of the Network Code as modified from time to time, or of the code modification rules as so changed, to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof.
- 12. Any question arising under the code modification rules as to -
  - (a) whether a gas shipper or other person is likely to be materially affected by a proposal to modify the Network Code were it to be implemented; or
  - (b) whether representations relating to such a proposal and made in pursuance of the rules have been properly considered by the licensee,

shall be determined by the Authority.

13. In this condition “transportation arrangements” includes storage arrangements which relate to the utilisation of –
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state.
  
14. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 13(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 13 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three subparagraphs come to be omitted, paragraph 13 and the reference thereto in the definition of “transportation arrangements” in standard condition 1 (Definitions and Interpretation) shall cease to have effect.
  
15. If and in so far as the Authority so consents, this condition shall have effect as if the definition of “transportation arrangements” in Standard Special Condition A[ ] (Definitions and Interpretation) referred only to gas consisting wholly or mainly of methane.
  
16. Any reference to “relevant shipper” in any of paragraphs 5(b), 5(c), 5(e), 6(b)(i), or 9(a)(ii) shall where it relates to any proposed modification which could have been proposed by a third party participant under the code modification rules be treated as if it were also a reference to all such third party participants.

**Standard Special Condition A] ]. Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick: Arrangements in Respect of Meters**

**[N.B. THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE CHANGES MADE TO THE “DESIGNATED” STANDARD CONDITION UNDER THE RGMA CHANGES INTRODUCED TO TRANSCO PLC’S LICENCE IN JULY 2004.]**

1. Where a relevant *supplier* or a gas *supplier* who is about to become such a *supplier* has -
  - (a) in pursuance of paragraph 2(b)(ii) of standard condition 37 (*Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick*) of the standard conditions of gas *suppliers*’ licences as incorporated in its licence, transmitted to the licensee a request for the repositioning of a meter owned by the licensee; and
  - (b) undertaken to pay the licensee’s reasonable expenses in complying with the request,then, so far as it is reasonably practicable and appropriate so to do, the licensee shall comply with the request.

**Standard Special Condition A[ ] . Provision of Services for Persons who are Blind or Deaf**

**[N.B. THIS CONDITION IS AMENDED FROM THE “DESIGNATED” STANDARD CONDITION TO PREVENT THE DATE SPECIFIED IN PARAGRAPH 1 LEADING TO AN AUTOMATIC BREACH OF THE CONDITION BY NEW LICENSEES.]**

1. The licensee shall, no later than 1 November 2001 or the date on which the licence is granted, if later, prepare and submit to the Authority for its approval a code of practice detailing the special services the licensee will make available for domestic customers who are disabled by virtue of being blind or partially sighted, or deaf or hearing impaired.
2. The code of practice shall include arrangements by which the licensee will, on request, in each case free of charge:
  - (a) make available to blind and partially sighted customers a facility for enquiring or complaining about any service provided by the licensee, by telephone or other appropriate means; and
  - (b) make available to deaf and hearing impaired customers, being in possession of appropriate equipment, facilities to assist them in enquiring or complaining about any service provided by the licensee.
3. This condition is subject to the provisions of Standard Special Condition A[ ] (Preparation, Review of and Compliance with Statements and Codes).

**Standard Special Condition A[ ] . Arrangements in Respect of Powers of Entry**

**[N.B. THIS CONDITION IS AMENDED AWAY FROM THE “DESIGNATED” STANDARD CONDITION TO DEAL WITH THE CROSS REFERENCE CHANGES REQUIRED AT PARAGRAPH 4.]**

1. The licensee shall, in respect of both domestic and non-domestic premises, prepare and submit to the Authority for its approval a statement of its proposed arrangements in respect of the steps mentioned in standard condition 19A (Authorisation of Officers).
2. In the case of an extension of this licence, the licensee shall ensure that the arrangements remain sufficient for the purposes of satisfying standard condition 19A (Authorisation of Officers), and shall make, subject to paragraph 4, any necessary changes.
3. The licensee shall use its best endeavours to ensure, so far as is reasonably practicable, that it conducts itself in conformity with the arrangements made in pursuance of paragraph 1.
4. This condition is subject to the provisions of Standard Special Condition A[ ] (Preparation, Review of and Compliance with Statements and Codes).

**Standard Special Condition A[ ] . Complaint Handling Procedure**

**[N.B. THIS CONDITION IS AMENDED FROM THE “DESIGNATED” STANDARD CONDITION TO PREVENT THE DATE SPECIFIED IN PARAGRAPH 1 LEADING TO AN AUTOMATIC BREACH OF THE CONDITION BY NEW LICENSEES.]**

1. The licensee shall, no later than 1 November 2001, or the date on which the licence is granted, if later, prepare and submit to the Authority for its approval a code of practice detailing the procedure for handling complaints from domestic customers about the manner in which the licensee conducts its transportation business.
2. Any procedure established in accordance with this condition shall specify the periods within which it is intended that different descriptions of complaint should be processed and resolved.
3. This condition is subject to the provisions of Standard Special Condition A[ ] (Preparation, Review of and Compliance with Statements and Codes).

**Standard Special Condition A[ ]. Preparation, Review of and Compliance with Statements and Codes**

**[N.B. THIS CONDITION IS AMENDED AWAY FROM THE “DESIGNATED” STANDARD CONDITION TO DEAL WITH THE CROSS REFERENCE CHANGES REQUIRED AT PARAGRAPH 1.]**

1. This condition applies to any statement or code of practice required to be prepared by the licensee pursuant to Special Conditions A[ ] (Provision of Services for Persons who are Blind or Deaf), Standard Special Condition A[ ] (Arrangements in Respect of Powers of Entry) and A[ ] (Complaint Handling Procedure) of this licence.
2. In first preparing such statement or code the licensee shall, prior to submitting the statement or code to the Authority, consult the Consumer Council and shall have regard to any representations made by the Consumer Council about such statement or code or the manner in which it is likely to be operated.
3. Where before the expiry of 30 days of the licensee first submitting such statement or code to the Authority for its approval the Authority notifies the licensee that the Authority considers the statement or code is not sufficient for the purposes of meeting the requirements of this licence the licensee shall forthwith make such changes as the Authority may require.
4. The licensee shall, whenever requested to do so by the Authority, review such statement or code and the manner in which it has been operated, with a view to determining whether any modification should be made to it or to the manner of its operation.
5. In carrying out any such review the licensee shall consult the Consumer Council and shall have regard to any representations made by the Consumer Council about such statement or code or the manner in which it is likely to be or (as the case may be) has been operated.

6. The licensee shall submit any revision of such statement or code which, after consulting the Consumer Council in accordance with paragraph 5, the licensee wishes to make, to the Authority for its approval and following its approval in writing shall then revise the statement or code.
  
7. The licensee shall -
  - (a) as soon as practicable following the preparation of the statement or code or any revision made to it send to the Authority and the Consumer Council a copy of such statement or code or such revision (in each case in the form approved by the Authority);
  - (b) at least once in each year, draw the attention of those customers to whom such statement or code applies to the existence of the statement or code and of each substantive revision of it and to the means by which a copy of such statement or code may be inspected in its latest form, in such manner as in the reasonable opinion of the licensee will give adequate publicity to it; and
  - (c) give or send free of charge a copy of such statement or code (as from time to time revised) to any person who requests it.
  
8. No changes may be made to any statement or code otherwise than in accordance with the above procedures.
  
9. The licensee shall ensure, so far as reasonably practicable, that it complies with such arrangements or procedures (as the case may be) as are contained in or described by any statement or code to which this condition applies and approved by the Authority or any revision to such statement or code approved by the Authority.

**Standard Special Condition A[ ] 1. Record of and Report on Performance**

**[N.B. THIS CONDITION IS AMENDED AWAY FROM THE “DESIGNATED” STANDARD CONDITION TO DEAL WITH THE CROSS REFERENCE CHANGES REQUIRED AT PARAGRAPH 1.]**

1. The licensee shall keep a record of its general operation of the arrangements mentioned in standard conditions 19A (Authorisation of Officers), 19B (Exercise of Powers of Entry) and 20 (Standards of Performance) and Standard Special Condition A[ ] (Provision of Services for Persons who are Blind or Deaf), Standard Special Condition A[ ] (Arrangements in Respect of Powers of Entry), Standard Special Condition A[ ] (Complaint Handling Procedure) and Standard Special Condition A[ ] (Preparation, Review and Compliance with Statements and Codes), if the Authority so directs in writing, of its operation of any particular cases specified, or of a description specified, by the Authority.
2. The licensee shall keep a statistical record of its performance in relation to the provision of services to domestic customers.
3. The licensee shall, from time to time as required by the Authority, provide to the Authority and to the Consumer Council such of the information contained in the records prepared in accordance with paragraphs 1 and 2 as the Authority may request in writing.
4. As soon as is reasonably practicable after the end of each calendar year, the licensee shall submit to the Authority and the Consumer Council a report dealing with the matters mentioned in paragraphs 1 and 2 in relation to that year and shall:
  - (a) publish the report so submitted in such manner as will in the reasonable opinion of the licensee secure adequate publicity for it; and
  - (b) send a copy of it free of charge to any person requesting one,

except that, in performing its obligations under sub-paragraphs 4(a) and (b), the licensee shall exclude from the report such information as appears to it to be necessary or expedient to ensure that, save where they consent, individual domestic customers referred to therein cannot readily be identified.

5. The report shall be presented, so far as is reasonably practicable, in a standard form designated by the Authority for the purposes of this condition.

## **Standard Special Condition A] 1. Provision of Information to the Authority**

**[N.B. THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE CHANGES MADE TO THE “DESIGNATED” STANDARD CONDITION CONTAINED IN THE AMENDED STANDARD CONDITION IN TRANSCO PLC’S LICENCE WHICH REFERENCE METERING SERVICES AND METER READING SERVICES.**

**FURTHER AMENDMENT WILL BE REQUIRED BY WAY OF A SPECIAL CONDITION TO INCORPORATE THE AMENDMENTS NECESSARY TO DEAL WITH THE ISSUES RAISED BY LNG STORAGE. THESE WILL BE INCLUDED IN THE NTS (AND POSSIBLY DN LICENCES). OFGEM IS SEEKING VIEWS ON THESE ISSUES.]**

1. Subject to paragraphs 5 and 7, the licensee shall furnish the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing -
  - (a) the functions conferred on the Authority by or under the Act; and
  - (b) any functions transferred to or conferred on the Authority by or under the Utilities Act 2000.
  
2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that that ultimate controller (“the information covenantor”) will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and its subsidiaries) will give the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.

3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.
  
4. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
  - (a) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
  - (b) there is an unremedied breach of such undertaking; or
  - (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.
  
5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 34 of the Act.
  
6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as holder of a gas transportation licence) which the Authority proposes to publish pursuant to section 35 of the Act.
  
7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
  
8. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other

condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

9. In this condition “transportation business” includes storage arrangements which relate to the utilisation of–
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state; *and*
  - (d) *the provision of Metering Services and of Meter Reading Services.*
  
10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 9(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 9 should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub - paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three subparagraphs come to be omitted, paragraph 9 and the reference thereto in the definition of “transportation business” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.
  
11. *If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to either metering or meter reading and its view on that question, considers it appropriate that references to either the provision of Metering Services or of Meter Reading Services should be deleted for the purposes of paragraph 9 of this condition, those references shall cease to have effect from the date or dates specified in a notice published by the Authority for that purpose.*

## **Standard Special Condition A[ 1]. Long Term Development Statement**

**[N.B. THIS CONDITION IS INCORPORATED AS A SPECIAL CONDITION TO REFERENCE THE AMENDED DEFINITION OF TRANSPORTATION ARRANGEMENTS CONTAINED IN STANDARD SPECIAL CONDITION A[ 1] (DEFINITIONS AND INTERPRETATION).**

**OFGEM IS SEEKING VIEWS AS TO WHETHER THE OBLIGATION SET OUT IN THIS CONDITION SHOULD BE PLACED ON DN LICENSEES AS WELL AS THE NTS LICENSEE. IT MAY ALSO REQUIRE CONSEQUENTIAL AMENDMENTS TO DEAL WITH THE ISSUES RAISED BY LNG.]**

1. The licensee shall comply with a direction given by the Authority to prepare a statement in such form as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with 1 October, such information by way of forecasts of -
  - (a) the use likely to be made of any individual pipe-line system which includes high pressure pipe-lines operated by the licensee and of any such facilities as are mentioned in paragraph 6; and
  - (b) the likely developments of that system and those facilities which the licensee expects from time to time to be taken into account in determining the charges for making connections to that system and in pursuance of transportation arrangements,as it is reasonably practicable for the licensee to provide and which will assist a person who contemplates -
  - (i) seeking the connection of a pipe-line of his to the licensee's pipe-line system;
  - (ii) entering into transportation arrangements with the licensee; or
  - (iii) seeking the connection of the licensee's pipe-line system to premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year,in identifying and evaluating the opportunities for doing so.

2. Except in so far as the Authority consents to the licensee not doing so, the licensee shall on an annual basis prepare a revision of any statement prepared under paragraph 1 so as to ensure that, so far as is reasonably practicable, the information in the revised statement is up to date.
3. The licensee shall, subject to any requirement to comply with the listing rules (within the meaning of Part IV of the Financial Services Act 1986) of The Stock Exchange and with paragraph 4 below -
  - (a) furnish the Authority with a copy of the statement prepared under paragraph 1 and of each revision of the statement prepared under paragraph 2;
  - (b) in such form and manner as the Authority may direct, publish such a summary of the statement or, as the case may be, of a revision of the statement as will assist a person in deciding whether to ask for a copy of the version mentioned in sub-paragraph (c); and
  - (c) prepare a version of the statement or revision which excludes, so far as is practicable, any such matter as is mentioned in paragraph 4 and send a copy thereof to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof.
4. In complying with the requirements of paragraph 3(b), the licensee shall have regard to the need for excluding, so far as is practicable, any matter which relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect his interests.
5. Any question arising under paragraph 4 as to whether the publication of some matter which relates to the affairs of a person would or might seriously and prejudicially affect his interests shall be determined by the Authority.

6. In this condition “transportation arrangements” includes storage arrangements which relate to the utilisation of –
- (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (d) containers for the storage of gas in a liquid state.
7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in paragraph 6(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 6 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three sub-paragraphs come to be omitted, paragraph 6 and the reference thereto in the definition of “transportation arrangements” in Standard Special Condition A[ ](Definitions and Interpretation) shall cease to have effect.

## **Standard Special Condition A] 1. Disposal of Assets**

**[N.B. THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE DEFINITION OF “RELINQUISHMENT OF OPERATIONAL CONTROL” CONTAINED IN PARAGRAPH 6 OF THE AMENDED STANDARD CONDITION CONTAINED IN TRANSCO PLC’S LICENCE AND DOES NOT APPEAR IN THE “DESIGNATED” STANDARD CONDITIONS.**

**OFGEM HAS PROPOSED A STANDARD SPECIAL CONDITION EQUIVALENT TO THE OBLIGATION ON ELECTRICITY DISTRIBUTION AND TRANSMISSION COMPANIES WOULD BE APPROPRIATE.**

**THIS CONDITION WILL REQUIRE FURTHER AMENDMENT BY WAY OF SPECIAL CONDITION IN THE NTS (AND POSSIBLY DN LICENCES) TO DEAL WITH THE ISSUES RAISED BY LNG STORAGE AND BY WAY OF A SPECIAL CONDITION IN THE DN LICENCE(S) IN RESPECT OF DISTRIBUTION NETWORKS CONTAINING INDEPENDENT SYSTEMS.]**

1. The licensee shall not dispose of or relinquish operational control over any transportation asset or storage asset otherwise than in accordance with the following paragraphs of this condition.
2. Save as provided in paragraph 3, the licensee shall give to the Authority not less than two months’ prior written notice of its intention to dispose of or relinquish operational control over any transportation asset or storage asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.

3. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over a transportation asset or storage asset –
  - (a) where:
    - (i) the Authority has issued directions for the purposes of this condition generally containing a general consent (whether or not subject to conditions) to:
      - (aa) transactions of a specified description; or
      - (bb) the disposal of or relinquishment of operational control over an asset of a specified description; and
    - (ii) the transaction or the assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject; or
  - (b) where the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation.
4. Notwithstanding paragraph 1, the licensee may dispose of or relinquish operational control over any transportation asset or storage asset as is specified in any notice given by the licensee under paragraph 2 where:
  - (a) the Authority confirms in writing that it consents to such disposal or relinquishment (which consent may be made subject to acceptance, by the licensee or any third party in favour of whom the asset is proposed to be disposed or operational control is proposed to be relinquished to, of such conditions as the Authority may specify); or
  - (b) the Authority does not inform the licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in paragraph 2.
5. If the transportation asset comprises a significant part of the gas conveyance system in Great Britain, notwithstanding that the disposal of or relinquishment of operational

control over the asset is permitted under paragraph 3 or 4, the licensee shall notify the Secretary of State at least 60 days in advance of the proposed disposal of or relinquishment of operational control over the asset; and if the Secretary of State directs the licensee, within 30 days of such notification, not to proceed with the disposal of or the relinquishment of operational control over the asset, the licensee shall comply with the direction.

6. In this condition-

- “disposal”:
- (a) in relation to disposal of a transportation asset or storage asset situated in England and Wales includes, any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge, or the grant of any other encumbrance, or the permitting of any encumbrance to subsist or any other disposition [to a third party]
  - (b) in relation to disposal of a transportation asset or storage asset situated in Scotland, includes the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land

and “dispose” and “cognate” expressions shall be construed accordingly;

“storage asset” means –

- (a) and offshore gas storage installation;
- (b) storage cavities in natural strata;
- (c) containers for the storage of gas in a liquid state,

or anything used in connection with the provision of such facilities

***“relinquishment includes, without limitation, entering into any of operational agreement or arrangement whereby operational control of a transportation asset or storage asset or transportation assets or storage assets is not or ceases to be under the sole management of the licensee.”***

“transportation asset” means any part of the licensee’s pipe-line system or any part of any facility being one –

- (i) used by the licensee only for the diurnal storage of gas or for the storage of gas in connection with the operation of its independent systems; and
- (ii) required for the proper performance of its duty under section 9(1) of the Act, together with any estate or interest in land required for the utilisation of that system or of such a facility.

7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons and to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in sub-paragraph (a), (b) or (c) of the definition of “storage asset” in paragraph 6 and its view on that question, considers it appropriate that that definition should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally.

## **Standard Special Condition A[ 1. Regulatory Accounts**

**[N.B. THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION TO ACCOMMODATE THE DISAGGREGATION REQUIREMENTS FOR REGULATORY ACCOUNTS WHICH ARE NOT REQUIRED BY THE “DESIGNATED” STANDARD CONDITIONS.**

**OFGEM CONSIDERS THAT IT MAY BE APPROPRIATE FOR REGULATORY ACCOUNTS TO BE PREPARED FOR EACH DISTRIBUTION NETWORK OPERATED BY THE LICENSEE. THESE PROVISIONS MAY BE AUGMENTED BY SPECIAL CONDITIONS RELEVANT TO THE CIRCUMSTANCES OF PARTICULAR LICENSEES AND OFGEM IS SEEKING VIEWS ON THIS ISSUE.]**

1. The following paragraphs of this condition apply for the purpose of ensuring that the licensee (and any affiliate or related undertaking) maintains accounting and reporting arrangements which enable regulatory accounts to be prepared for –
  - (a) *the transportation business;*
  - (b) *the Metering Business; and*
  - (c) *the Meter Reading Business*showing the financial affairs of *each such business*.
  
2. The licensee shall, *in respect of each such business*:
  - (a) keep or cause to be kept, for the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section such accounting records in respect of *each of the businesses referred to in paragraph 1* so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, *each such business* are separately identifiable in the accounting records of the licensee (and any affiliate or related undertaking) from those of any other business of the licensee;

- (b) prepare on a consistent basis from such accounting records in respect of:
- (i) each financial year, accounting statements comprising a profit and loss account, a statement of total recognised gains and losses, a cash flow statement, and *in respect of each of the businesses referred to in paragraph 1, a statement of net assets at the end of the period*, together with notes thereto, and showing separately in respect of *each of the businesses referred to in paragraph 1* and in appropriate detail the amounts of any revenue, cost, asset, liability, reserve or provision which has either been:
    - (aa) charged from *any ultimate controller of the licensee, together with any subsidiary of such ultimate controller (other than the licensee or its subsidiaries) in relation to the provision of goods or services to the licensee*
    - (bb) *charged from the licensee in relation to the provision of goods or services to any ultimate controller of the licensee together with any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries);* or
    - (cc) determined by apportionment or allocation between *any of the businesses referred to in paragraph 1* and any other business *of the licensee or affiliate or related undertaking* together with a description of the basis of the apportionment or allocation;

*provided that the obligations in (aa), (bb) and (cc) above shall only apply to goods and services received or supplied for the purposes of the Metering Business and the Meter Reading Business; and*
  - (ii) the first six months of each financial year, an interim profit and loss account; and
  - (iii) each financial year, sufficient accounting information in respect of *each of the businesses referred to in paragraph 1* to allow the preparation of consolidated accounting statements of the licensee or, where applicable, the *ultimate controller* of the licensee. Such information shall include a profit and loss account, a statement of total

recognised gains and losses, a balance sheet, and a cash flow statement together with notes thereto;

- (c) procure, in respect of the accounting statements prepared in accordance with this condition in respect of each financial year, a report by the auditors and addressed to the Authority stating whether in their opinion those statements have been properly prepared in accordance with this condition and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, *the businesses referred to in paragraph 1* to which the statements relate; and
  - (d) deliver to the Authority a copy of the account referred to in sub-paragraph (b)(ii), the auditors' report referred to in sub-paragraph (c), the accounting statements referred to in sub-paragraph (b)(i) and the accounting information referred to in sub-paragraph (b)(iii), as soon as reasonably practicable, and in any event not later than three months after the end of the period to which it relates in the case of the account referred to in sub-paragraph (b)(ii) and six months after the end of the financial year to which they relate in the case of the accounting statements, auditors' report and accounting information referred to in sub-paragraphs (b)(i), (b)(iii) and (c).
3. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written approval, the licensee shall not in relation to the accounting statements in respect of a financial year change the bases of charge or apportionment or allocation referred to in sub-paragraph 2(b)(i) from those applied in respect of the previous financial year.
4. Where, in relation to the accounting statements in respect of a financial year, the licensee has changed such bases of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the licensee shall, if so directed in directions issued by the Authority, in addition to preparing accounting statements on those bases which it has adopted, prepare such accounting statements on the bases which applied in respect of the immediately preceding financial year.

5. Accounting statements and information in respect of a financial year prepared under sub-paragraph 2(b)(i) and (b)(iii) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition:
- (a) have the same content and format as the statutory accounts of the licensee prepared under Section 226 and, where appropriate, Section 227 of the Companies Act 1985 and conform to the best commercial accounting practices including all relevant accounting standards issued or adopted by the Accounting Standards Board currently in force;
  - (b) state the accounting policies adopted; and
  - (c) with the exception of the part of such statements and information which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively, be published with the statutory accounts of the licensee.
6. Unless the accounting statements and information prepared under sub-paragraph 2(b)(i) and (b)(iii) are prepared on the current cost basis as provided by the alternative accounting rules, the licensee shall, unless otherwise agreed by the Authority, in addition to preparing those accounting statements under that paragraph, prepare accounting statements for *each of the businesses referred to in paragraph 1* covering the same period, which shall comprise and show separately:
- (a) a profit and loss account, statement of total recognised gains and losses, a balance sheet, and a cash flow statement, together with notes thereto, which shall:
    - (i) include in respect of current cost assets amounts determined on the current cost basis as provided by the alternative accounting rules; and
    - (ii) show or disclose the information and other matters required by the alternative accounting rules to be shown or disclosed in accounts where the amounts included in respect of assets covered by any items shown in those accounts have been determined on any basis mentioned in paragraph 31 of section C of Part II of Schedule 4 to the Companies Act 1985;

- (b) in respect of *each of the businesses referred to in paragraph 1* the adjusted amount of any such provision for depreciation as is referred to in paragraph 32(2) of section C of Part II of Schedule 4 to the Companies Act 1985 and the items shown in the profit and loss account of *those businesses* for the relevant period which are affected by the determination of amounts on the current cost basis as provided by the alternative accounting rules, including the profit (or loss) before taxation; and
- (c) such other current cost information as is referred to in the handbook as the Authority may reasonably require;

and shall deliver the same, together with an auditors' report prepared in relation to the current cost basis accounting statements in the form referred to in sub-paragraph 2(c), to the Authority within the time limit referred to in sub-paragraph 2(d), and shall (with the exception of the part of such statements and information which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively) publish the same with the statutory accounts of the licensee.

- 7. References in this condition to costs or liabilities of, or reasonably attributable to, *any of the businesses referred to in paragraph 1* shall be construed as excluding taxation and capital liabilities which do not relate principally to the particular business, and interest thereon; and references to any profit and loss account shall be construed accordingly.
- 8. Without prejudice to paragraph 5 of the terms of this licence, references in this condition to sections of the Companies Act 1985 are references to those provisions as amended, substituted or inserted by the relevant provisions of the Companies Act 1989 and if such provisions of the Companies Act 1989 are not in force at the date of grant of this licence shall be construed as if such provisions were in force at such date.
- 9. For the purposes of this condition:

“alternative accounting rules” means the rules set out in section C of Part II of

Schedule 4 to the Companies Act 1985.

“current cost assets” means assets of any description mentioned in paragraph 31 of Section C of Part II of Schedule 4 to the Companies Act 1985.

“the handbook” means the handbook issued by the Accounting Standards Committee of the Consultative Committee of Accounting Bodies (CCAB Limited) or any successor body entitled “Accounting for the effects of changing prices: a handbook” in its current edition for the time being or in the event that no such handbook shall be in issue such guidance or publication as may be issued in replacement or substitution therefore.

- 10. This condition shall not require the publication of any accounting statements for the Metering Business or the Meter Reading Business where publication would or might seriously and prejudicially affect the interests of the licensee, any ultimate controller of the licensee or any subsidiary of any ultimate controller and for this purpose the licensee shall (except in so far as the Authority consents to the licensee not doing so) refer for determination by the Authority any question as to whether any such publication would or might so affect the interests of the licensee or any ultimate controller of the licensee or any subsidiary of any ultimate controller.***
- 11. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to either metering or to meter reading and its view on the subject considers it appropriate that references to either the Metering Business or to the Meter Reading Business should be deleted for the purpose of this condition then for the purpose of this condition those references shall cease to have effect from the date or dates specified in a notice published by the Authority for that purpose.***

## **Standard Special Condition A] 1. Supply Point Information Service**

**[N.B. THIS CONDITION IS INCLUDED AS A SPECIAL CONDITION TO INCORPORATE THE PROVISIONS OF THE AMENDED STANDARD CONDITION INCORPORATED IN TRANSCO PLC'S LICENCE AT PARAGRAPHS 5, 6 AND 7]**

1. The licensee shall establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of, an information service (the "Supply Point Information Service").
  
2. The licensee shall ensure that the Supply Point Information Service fulfils, for all premises connected to the licensee's pipe-line system, including secondary subduct premises, the following functions:
  - (a) the maintenance of a register containing the data set out in paragraph 3 ("relevant data");
  - (b) the amendment of relevant data to reflect changes of supplier in respect of any such premises;
  - (c) in respect of domestic customers or persons acting on their behalf, other than gas shippers or their agents, the provision, in a timely and efficient manner, of such of the relevant data as is referred to in sub-paragraphs 3(a)(iii), 3(b)(iii) and 3(b)(iv) as is reasonably required and requested by that person;
  - (d) in respect of the following applicants:
    - (i) any relevant gas shipper or agent thereof;
    - (ii) any person identified in the Network Code as an appropriate person for the receipt of data for balancing and change of supplier purposes; and
    - (iii) any customer (other than a domestic customer) of a gas supplier or person acting on his behalf entitled to such data for the purpose of facilitating changes of supplier in respect of that customer's premises;

the provision, in a timely and efficient manner, of such of the relevant data as is reasonably required and requested by the applicant;

- (e) the maintenance, *subject to sub-paragraphs 6(a), 6(c) and paragraph 7*, of an enquiry service for the provision to any customer of a gas supplier, on request and free of charge at the point of use to domestic customers, of such of the relevant data in respect of the supply of gas to premises which are (or which are about to be) owned or occupied by that customer; and
- (f) the taking of such steps as will in the opinion of the licensee secure adequate publicity for the operation of the enquiry service mentioned in sub-paragraph 2(e).

3. The data referred to in sub-paragraph 2(a) above is:

- (a) such technical and other data as is necessary to facilitate supply by any gas supplier to any premises connected to the licensee's pipe-line system, including secondary sub-deduct premises, and to meet the reasonable requirements of gas shippers in respect of such premises for information for balancing and change of supplier purposes, including (where so required):
  - (i) the identity of the gas shipper responsible under the Network Code for the supply point at such premises;
  - (ii) the type of metering equipment installed at each such premises where the licensee has been supplied with details of such equipment; and
  - (iii) a unique and accurate address of each such premises so far as is reasonably practicable, having regard to the nature and source of the information provided to the licensee; and
- (b) such information which is in the possession of the licensee as may be necessary and which is reasonably required for the purpose of –
  - (i) managing the supply of gas to the premises of the customer;
  - (ii) assessing the accuracy of those components of the charges relating to the conveyance of gas to such premises which are specific to the premises of that customer;

- (iii) enabling that customer to contract with another supplier for the supply of gas; or
  - (iv) identifying the supplier to the customer's premises.
- 4. In fulfilling its obligation in accordance with paragraph 1 the licensee shall not restrict, distort or prevent competition in the provision of meter services or gas supply.
- 5. ***Subject to paragraphs 6 and 7 below, the licensee shall provide to owners or occupiers of premises or sites on which premises are to be constructed or to persons acting on their behalf, who may require a connection to the licensee's pipe-line system on request:***
  - (i) such information as is in the possession of the licensee regarding predicted gas pressures on the licensee's pipe-line system as is necessary for the purpose of the design, construction or maintenance of a connecting pipe-line by or on behalf of the connecting party; and
  - (ii) such information as may be required by the requesting party to verify the licensee's requirement to reinforce the licensee's pipe-line system where the requesting party is required to contribute to the cost of that reinforcement.
- 6. ***The licensee shall be entitled to refuse to provide information on the grounds that-***
  - (a) ***its disclosure would seriously and prejudicially affect the commercial interests of the licensee, and any question as to whether such interests would be so affected shall be determined by the Authority;***
  - (b) ***a person to whom information is to be provided has refused to enter into an agreement with the licensee that that person will not use the information in question other than for the purpose of facilitating those activities referred to in paragraph 5 above, nor further disclose the information; or***

*(c) in relation to sub-paragraph 2(e), save where the request is made by or on behalf of a domestic customer for the purposes of that customer, the person requesting the information has declined to pay the licensee, having been requested in writing to do so, a fee equal to the reasonable cost to the licensee of complying with the request save to the extent that such reasonable cost is recoverable from elsewhere. The licensee shall publish, in such manner as shall be appropriate to bring it to the attention of persons likely to be affected by it, a statement setting out the circumstances in which a fee is payable and the amount of any such fee.*

7. Paragraph 5 shall not require the licensee to produce any documents or provide any information which it could not be compelled to produce or give in evidence in civil proceedings before the court.

## Standard Special Condition A] ]. Interpretation of Section C

**[N.B. THIS CONDITION IS INCLUDED AS A STANDARD SPECIAL CONDITION TO REFERENCE THE PERMITTED PURPOSE ACTIVITIES OF THE METERING BUSINESS AND THE METER READING BUSINESS NOT REFERRED TO IN THE “DESIGNATED” STANDARD CONDITIONS. THIS CONDITION, APPLICABLE AT LEAST TO THE NTS AND RDNs, WILL NEED TO BE FURTHER AMENDED BY WAY OF A SPECIAL CONDITION IN THE NTS LICENCE (AND POSSIBLY ALSO THE RDN LICENCES) TO DEAL WITH THE ISSUES RAISED BY LNG.**

**OFGEM IS PROPOSING TO RETURN TO STANDARD CONDITION 32 FOR IDNs, WHICH WOULD EXCLUDE, FOR EXAMPLE, THE METERING BUSINESSES FROM THE DEFINITION OF PERMITTED PURPOSE.**

**OFGEM IS CURRENTLY SEEKING VIEWS ON THESE ISSUES.]**

1. In this Section of the standard conditions, unless the context otherwise requires:

“permitted purpose” means the purpose of all or any of the following:

- (a) the transportation business;
- (b) *the Metering Business;*
- (c) *the Meter Reading Business;*
- (d) or any other business or activity within the limits of paragraph 4 of standard condition 43 (Restriction on Activity and Financial Ringfencing);
- (e) without prejudice to the generality of paragraph (a) *to (d)*, any payment or

transaction lawfully made or undertaken by the licensee for a purpose within purpose within sub-paragraphs 1(b)(i) to (vii) of standard condition 47 (Indebtedness).

## **Standard Special Condition A] ]. Availability of Data Formats**

**[N.B. THIS CONDITION WILL NEED TO BE AMENDED TO TAKE ACCOUNT OF THE REVISED COMMERCIAL REGIME AND THE INTRODUCTION OF THE UNIFORM NETWORK CODE AND POSSIBLY THE OFFTAKE CODE. IT CAN BE RETURNED TO THE “DESIGNATED” STANDARD UNTIL s8AA MODIFICATION REQUIRES THESE CHANGES.**

**OFGEM IS CURRENTLY SEEKING VIEWS ON THESE ISSUES.]**

1. Where the licensee uses standard file formats for transferring data, for any purposes set out in the licensee’s Network Code, between any persons identified in such Network Code as appropriate persons for the receipt of the data, it shall make those standard file formats and associated definitions of data items available, free of charge, to shippers and other gas transporters for their use in connection with their licensed activities.

**Standard Special Condition A] 1. Restriction on Use of Certain Information and Independence of the Transportation Business**

**[N.B. THIS IS INCLUDED IN THE LICENCE AS A SPECIAL CONDITION IN ORDER TO REFERENCE THE CHANGES INTRODUCED UNDER RGMA IN JULY 2004 (WHICH INCLUDE PROVISIONS RELATING TO METER-RELATED SERVICES BUSINESS AND METER READING BUSINESS.**

**ADDITIONAL CHANGES WILL BE REQUIRED TO BE MADE TO THE NTS LICENCE (AND POSSIBLY ALSO DN LICENCES) BY WAY OF SPECIAL CONDITION IN ORDER TO DEAL WITH THE ISSUES RAISED BY STRUCTURAL SEPARATION AND LNG.**

**OFGEM FURTHER CONSIDERS THAT THE PROVISION MAY REQUIRE FURTHER MODIFICATION TO DEAL WITH ANY COMPETITION ISSUES ASSOCIATED WITH THE PARTICULAR OWNERSHIP OF A DN.**

**OFGEM IS CURRENTLY SEEKING VIEWS ON THESE ISSUES.]**

1. Subject to paragraph 2, the licensee shall use its best endeavours to secure that:
  - (a) no information relating to, or derived from, its transportation business is disclosed for the benefit of any trading business conducted by the licensee or any such person as is mentioned in paragraph 6, *its Meter-Related Services Business or its Meter Reading Business*;
  - (b) no information derived from its transportation business is used for the purposes of any trading business conducted by the licensee or (so far as the licensee has powers in that behalf) of a trading business conducted by any such person as is mentioned in paragraph 6, *its Meter-Related Services Business or its Meter Reading Business*.
  
2. Paragraph 1 shall not apply in so far as:
  - (a) the Authority so consents;

- (b) a gas shipper or gas supplier has, for the purposes hereof, consented in writing to the use or disclosure of information relating to that shipper or supplier;
- (c) it is necessary or expedient that the information be used or disclosed to enable such a person as is mentioned in paragraph 6 to enter into arrangements for the connection of a facility for the storage of gas to the pipe-line system of the licensee or to enter into transportation arrangements with the licensee or to give effect to such arrangements;
- (d) the information has been published or is required to be disclosed as mentioned in paragraph 1(a) in pursuance of any other standard condition of this licence;
- (e) the information (otherwise than in consequence of a contravention of any standard condition of this licence) is in the public domain; or
- (f) it is information of the kind to which sub-paragraphs (b) to (d) above refer and is disclosed to persons acting on behalf of the licensee engaged in a trading business of the type described in sub-paragraph 3(b) below.

3. In this condition “trading business” means:

- (a) activities connected with the acquisition and disposal of gas in Great Britain;
- (b) activities connected with the storage of gas at an offshore storage installation or storage cavities in natural strata; or
- (c) activities connected with arranging with a gas transporter for gas to be introduced into, conveyed by means of or taken out of a pipe-line system operated by that transporter,  
other than:
  - (i) such activities relating to gas intended for consumption outside Great Britain as are designated for the purposes of this condition by the Authority; or
  - (ii) in the case of the licensee, such activities in connection with either the efficient operation of its pipe-line system or the replacement of gas lost from that system.

4. In this condition “transportation business” includes

- (a) storage arrangements, and
- (b) ***the licensee’s Metering Business other than its Meter-Related Services Business,***

and in subparagraph 2(c) “transportation arrangements” includes storage arrangements.

5. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 4 then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definitions of “transportation arrangements” and “transportation business” in standard condition 1 (Definitions and Interpretation) shall cease to have effect.
6. The persons referred to in paragraphs 1(a) and (b) and 2(c) are:
  - (a) any affiliate of the licensee; and
  - (b) any related undertaking of the licensee.
7. The licensee shall take all reasonable precautions against the risk of failure to comply with paragraph 1 including:
  - (a) restrictions on the communication of information to persons engaged in any trading business conducted by the licensee or any such person as is referred to in paragraph 6, *its Meter-Related Services Business or its Meter Reading Business*;
  - (b) restrictions on access by persons engaged in any trading business conducted by the licensee or any such person as is referred to in paragraph 6, *its Meter-Related Services Business or its Meter Reading Business*; to:
    - (i) premises or parts of premises occupied by persons engaged in the transportation business; and
    - (ii) recorded information relating to the transportation business;
  - (c) the prevention (so far as the licensee can require it) of any person who has ceased to be engaged in the transportation business from being engaged in such a trading business, its Meter-Related Services Business or its Meter

Reading Business until the expiry of the appropriate period since he ceased to be engaged in the transportation business.

8. In sub-paragraph 7(c) “the appropriate period” means:
  - (a) a period of 3 months, or
  - (b) such shorter or longer period as, following a recommendation by the Compliance Officer (the licensee is required to employ under Standard Special Condition A[ ] (Appointment of Compliance Officer)) the Authority may direct in respect of any person or class of persons.
  
9. ***In this condition, “Meter-Related Services Business” means the activities of the licensee in connection with the provision of Meter-Related Services as defined in paragraph 1A of Standard Special Condition A[ ] (Provision and Return of Meters).***

## **Standard Special Condition A[ ] . Appointment of Compliance Officer**

**[N.B. THIS CONDITION NEEDS TO BE INCLUDED AS A SPECIAL CONDITION TO TAKE ACCOUNT OF THE CROSS REFERENCING AMENDMENTS REQUIRED BY OTHER AMENDMENTS TO THE LICENCE.**

**OFGEM IS SEEKING VIEWS ON WHETHER ADDITIONAL REQUIREMENTS (BY WAY OF NTS/RDN-SPECIFIC SPECIAL CONDITIONS) WILL NEED TO BE INCLUDED IN THIS CONDITION TO SUPPORT THE STRUCTURAL SEPARATION BETWEEN TRANSCO'S NTS AND RDNs ]**

1. The licensee shall ensure that:
  - (a) at all times it employs a competent person (hereafter referred to as “the Compliance Officer”) for the purpose of facilitating compliance by the licensee with Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business);
  - (b) it consults the Authority before employing any person as the Compliance Officer; and
  - (c) the Compliance Officer is provided with such staff and facilities as he may reasonably require to perform the tasks assigned to him pursuant to this condition.
  
2. The licensee shall assign the following tasks to the Compliance Officer -
  - (a) the establishment of procedures, after seeking representations from gas shippers and gas suppliers and after consulting the Authority, for ensuring that the precautions referred to in paragraph 7 of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) are effectively complied with;
  - (b) the investigation of any matter which is the subject of a representation made by a gas shipper or gas supplier that the licensee or any such person as is referred to in paragraph 6 of Standard Special Condition A[ ] (Restriction on

Use of Certain Information and Independence of the Transportation Business) may be contravening paragraphs 1, 2, or 8 of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) obligations or that the procedures established under sub-paragraph (a) are not being complied with or are defective;

- (c) the giving of advice to directors and employees of the licensee or any such person as is referred to in paragraph 7 of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) for facilitating compliance with paragraph 1 of Standard Special Condition A[ ] (Conduct of Transportation Business), or paragraphs 1 or 7 of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) and the procedures established under sub-paragraph (a) and, in particular, as to whether any information is information to which paragraph 1 of Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) thereof applies; and
- (d) the giving of information or advice as to the procedures established under sub-paragraph (a) to any gas shipper or gas supplier requesting it.

3. The licensee shall, as soon as practicable after the end of each financial year, furnish to the Authority and publish in such form and manner as the Authority may direct, a comprehensive report on the Compliance Officer's activities during that year.

## **Standard Special Condition A] 1. Availability of Resources**

**[N.B. OFGEM CONSIDERS THAT THIS CONDITION (WHICH DIFFERS IN FORM FROM DESIGNATED STANDARD CONDITION 44) IS APPROPRIATE FOR ALL NTS AND DN-GTS AND IS STANDARD IN ALL ELECTRICITY DISTRIBUTION AND TRANSMISSION LICENCES. OFGEM IS INVITING VIEWS ON THIS ISSUE.]**

1. The licensee shall at all times act in a manner calculated to secure that it has available to it all such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licenses, consents and facilities on such terms and with all such rights as shall ensure that it is at all times able:
  - (a) to properly and efficiently carry on the transportation business; and
  - (b) to comply in all respects with its obligations under this licence and such of its obligations under the Act as apply to those businesses including, without limitation, its duty to develop and maintain an efficient and economical system of gas transportation.
2. The licensee shall submit a certificate as to the adequacy (or otherwise) of its management resources and financial resources and facilities for the period of 12 months commencing on the date of the certificate addressed to the Authority, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution. Such certificate shall be submitted on 30 June of each year. Each certificate shall be in one of the following terms:
  - (a) “After making enquiries, the directors of the licensee have a reasonable expectation that the licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, sufficient management resources and financial resources and financial facilities to enable the licensee to carry on the activities authorised by the licence in accordance with its obligations under the Act and under the licence for a period of 12 months from the date of this certificate.”

- (b) “After making enquiries, the directors of the licensee have a reasonable expectation, subject to the factors set out below, that the licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, sufficient management resources and financial resources and financial facilities to enable the licensee to carry on the activities authorised by the licence in accordance with its obligations under the Act and under the licence for a period of 12 months from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the licensee to carry on the activities authorised by the licence as aforesaid.”
- (c) “In the opinion of the directors of the licensee, the licensee will not have available to it sufficient management resources and financial resources and financial facilities to enable the licensee to carry on the activities authorised by the licence in accordance with its obligations under the Act and under the licence for a period of 12 months from the date of this certificate.”
3. The licensee shall submit to the Authority with that certificate a statement of the main factors which the directors of the licensee have taken into account in giving that certificate.
4. The licensee shall –  
inform the Authority in writing immediately if the directors of the licensee become aware of any circumstance that causes them no longer to have the reasonable expectation expressed in the then most recent certificate given under paragraph 2.
5. Save in so far as they relate to management resources, the licensee shall use its best endeavours to obtain and submit to the Authority with each certificate provided for in paragraph 2 a report prepared by its auditors and addressed to the Authority stating whether or not the auditors are aware of any inconsistencies between, on the one

hand, that certificate and the statement submitted with it and, on the other hand, any information which they obtained during their audit work.

6. The directors of the licensee shall not declare or recommend a dividend, nor shall the licensee make any other form of distribution within the meaning of section 263 of the Companies Act 1985, unless prior to the declaration, recommendation or making of the distribution (as the case may be) the licensee shall have issued to the Authority a certificate complying with the following requirements of this paragraph.

(a) The certificate shall be in the following form:

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

(i) that the licensee is in compliance in all material respects with all obligations imposed on it by paragraphs (2), (3) and (4) of Standard Special Condition A[ ] (Provision of Information to the Authority), standard condition 45 (Undertaking from Ultimate Controller), and paragraph 1 of standard condition 47 (Indebtedness), standard condition 43 (Restriction on Activity and Financial Ring-fencing), Standard Special Condition A[ ] (Availability of Resources), standard condition 46 (Credit Rating of Licensee), paragraph 1 of standard condition 47 (Indebtedness) of the licence; and

(ii) that the making of a distribution of [amount] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of these obligations in the future”.

(b) The certificate shall be signed by a director of the licensee and approved by a resolution of the board of directors of the licensee passed not more than 14 days before the date on which the declaration, recommendation or payment will be made.

(c) Where the certificate has been issued in respect of the declaration or recommendation of a dividend, the licensee shall be under no obligation to issue a further certificate prior to payment of that dividend.

## **Standard Special Condition A] 1. Conveyance to Independent Systems**

**[N.B. OFGEM PUBLISHED AN OPEN LETTER ON 6 AUGUST 2004 INDICATING THAT IT WILL BE CONSIDERING ISSUES RAISED BY THE NETWORK SALES FOR THIS CONDITION AND WILL INFORM INTERESTED PARTIES OF ITS CONCLUSIONS. IT IS ANTICIPATED THAT ANY AMENDMENTS CONSIDERED NECESSARY WOULD BE INTRODUCED AS PART OF THE SECTION 8AA TRANSFER PROCESS]**

1. This condition shall apply to the conveyance of gas to -
  - (a) any premises which were connected to an independent system on the appointed day; and
  - (b) any premises of domestic customers subsequently connected, in pursuance of section 10 of the Act, to an independent system which was in existence on that day,and such premises as aforesaid are for the purposes of this condition referred to as “relevant premises”.
2. Where the gas which was conveyed by the independent system on the appointed day consisted principally of methane, the licensee shall provide arrangements for the conveyance of gas to relevant premises connected to the system from the principal pipe-line system of the licensee, and its average charges for such conveyance shall be no more than the average charges for all conveyance to premises in Great Britain supplied with gas at a similar rate, connected otherwise than to independent systems, which the licensee charged on the appointed day, adjusted in line with the Retail Price Index from that date.
3. Where the gas which was conveyed by the independent system on the appointed day consisted wholly or mainly of propane or butane or of a combustible mixture of propane or butane with air, the licensee shall provide arrangements for the conveyance of propane or butane (according to the composition of the gas being conveyed in the system) from any bulk supply point (whether or not in Great Britain) notified by the licensee to the Authority and approved by him, to relevant premises connected to the system (including, in such conveyance, the mixture of the propane

or butane with air to meet the requirements of the system) and shall charge for such conveyance no more than the amount which would have applied had paragraph 2 been applicable less an amount assessed by it each year to be equal to the difference between its reasonable estimates of the average price for liquefied petroleum gases supplied to large industrial customers in Great Britain and the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.

4. In this condition references to “charges” for conveyance shall exclude references to supplemental charges within the meaning of standard condition 4C (Charging of Gas Shippers - Supplemental Connection Charges).
5. Standard condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) shall apply for the purpose of adjustments to be made by reference to the Retail Price Index.

**Standard Special Condition A] 1. Emergency Services to or on Behalf of Another Gas Transporter**

**[N.B. OFGEM IS CURRENTLY SEEKING VIEWS AS TO WHETHER THIS CONDITION COULD BE BROADENED OR A NEW CONDITION INTRODUCED TO COVER THE PROVISION OF EMERGENCY SERVICES BETWEEN GAS TRANSPORTERS IN CIRCUMSTANCES OTHER THAN WHEN A MAJOR LOSS OF SUPPLY HAS OCCURRED IN PARTICULAR, VIEWS ARE INVITED ON THE PROVISION OF EMERGENCY SERVICES AT DN BOUNDARIES, THE PROVISION OF EMERGENCY SERVICES TO IGTs AND THE PROVISION OF FIRST RESPONSE EMERGENCY SERVICES TO THE NTS.]**

1. If so directed by the Authority after consultation with the Health and Safety Executive, the licensee shall offer to enter into an agreement with such other person for the time being holding a licence granted under section 7 of the Act as a gas transporter or any applicant for such a licence, as may be specified in the direction, relating to the provision of emergency services to or on behalf of that person (including where necessary the repair of pipes) where a major loss of supply has occurred.
2. For the purposes of paragraph 1, the terms of such an offer shall be such as are reasonable in all the circumstances, but may at the discretion of the licensee include terms providing for the recovery of all costs reasonably related to such emergency service provision, a reasonable commercial profit and appropriate indemnities against third party claims.
3. Nothing in this condition shall require the licensee to employ more staff or to maintain any stock of spares or equipment more extensive than it would otherwise employ or maintain for the purposes of its transportation business.
4. Any dispute over the terms of any offer made pursuant to this condition may be referred to the Authority for determination at the request of the licensee or the person named in the direction referred to in paragraph 1.

## **Standard Special Condition A[ ] 1. Provision of Metering and Meter Reading Services**

**[N.B. THIS CONDITION HAS BEEN AMENDED TO TAKE ACCOUNT OF THE RGMA CHANGES INTRODUCED ON 12 JULY 2004. IT CURRENTLY APPLIES ONLY TO TRANSCO PLC.]**

1. Before attending to any request from a supplier:
  - (a) pursuant to paragraph 1 of Standard Special Condition A[ ] (Provision and Return of Meters);
  - (b) in relation to the provision of Metering Services other than those provided pursuant to sub-paragraph (a) above); or
  - (c) in relation to the provision of Meter Reading Services;the licensee shall provide to that supplier the terms provided for in paragraph 2.
  
- 1A. Where and to the extent that the licensee is required to provide services under sub-paragraph (a) of paragraph 1 above, it shall be the duty of the licensee to provide the services mentioned in that sub-paragraph on reasonable terms.
  
2. The terms referred to in paragraph 1 are the licensee's terms regarding;
  - (a) the date by which the services required shall be provided (time being of the essence unless otherwise agreed between the parties);
  - (b) the charges to be paid in respect of the services required, such charges (save to the extent set out in any direction under paragraph 10 or unless manifestly inappropriate):
    - (i) to be presented in such a way as to be referable to the statements prepared in accordance with paragraph 5 of this condition, or any revision thereof; and
    - (ii) to be set in conformity with the requirements of paragraphs 4 to 7 of this condition; and

- (c) such other detailed terms in respect of each of the services required as are or may be appropriate for the purpose of the agreement.
- 3. The licensee shall provide to the supplier such terms as are referred to in paragraph 2 above as soon as practicable and (save where the Authority consents to a longer period) in any event not more than 28 days after receipt by the licensee from any person of any application containing all such information as may reasonably be required for the purpose of formulating the terms of the agreement.
- 4. Except in so far as the Authority accepts otherwise, the licensee shall enter into agreements with suppliers for the provision of
  - (a) gas meters pursuant to Standard Special Condition A[ ] (Provision and Return of Meters);
  - (b) Metering Services other than the provision of gas meters pursuant to subparagraph (a) above; or
  - (c) Meter Reading Serviceswithout variation to any terms provided in relation to a particular request from a supplier pursuant to paragraph 2.
- 5. The licensee shall as soon as reasonably practicable prepare statements in a form approved by the Authority setting out:
  - (a) the basis upon which charges for the provision of services of a type described in paragraph 1 will be made; and
  - (b) information relating to the other terms that will apply to the provision of each service,in each case in such form and with such detail as shall be necessary to enable any supplier to make a reasonable estimate of the charges to which he would become liable for the provision of such services and of the other terms, likely to have a material impact on the conduct of his business, upon which the service would be provided and (without prejudice to the foregoing) including the information set out in paragraph 6.

6. The statements referred to in paragraph 5 shall include:
  - (a) a schedule of charges for such services; and
  - (b) an explanation of the methods by which and the principles on which such charges will be calculated.
7. The licensee may periodically review the information set out in and, with the approval of the Authority, alter the form of the statements prepared in accordance with paragraph 5 and shall, at least once in every year that this Licence is in force, make any necessary revisions to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.
8. The licensee shall send a copy of the statements in accordance with paragraph 5, and of each revision of such statements in accordance with paragraph 7, to the Authority.
9. The licensee shall give or send a copy of the statements prepared in accordance with paragraph 5, or (as the case may be) of the latest revision of such statements in accordance with paragraph 7, to any supplier who requests a copy of such statement or statements.
10. The licensee may make a charge for any statement given or sent pursuant to paragraph 9 of an amount which shall not exceed the amount specified in directions issued by the Authority for the purposes of this Condition based on the Authority's estimate of the licensee's reasonable costs of providing such a statement.
11. The Authority, having regard, in particular, to any representations made to it by the licensee and other persons may issue a direction relieving the licensee of its obligations under paragraphs 1(b), 1(c), 1A, 3 and 5 to such extent and subject to such terms and conditions as it may specify in that direction.

## **Standard Special Condition A[ ] . Assignment of Licence**

**[N.B. THIS IS A SPECIAL CONDITION CURRENTLY APPLICABLE ONLY TO TRANSCO PLC. OFGEM INTENDS TO APPLY THIS CONDITION TO ALL NTS AND DN-GT LICENSEES. OFGEM INVITES VIEWS ON THIS PROPOSAL.]**

1. For the purposes of Section 8AA of the 1986 Act (Transfer of licences) the licensee, subject to the prior written consent of the Secretary of State, may only transfer its licence, either generally or in so far as relating to the whole or any part of an authorised area or any specified pipeline system as defined in sub-section (1) of that section if –
  - (a) it complies with the procedure in section 8AA of the Act; and
  - (b) it obtains the prior written consent of the Secretary of State.

**Standard Special Condition A] ]: Restriction of prices in respect of tariff capped metering activities**

**[N.B. THIS IS A SPECIAL CONDITION CURRENTLY APPLICABLE ONLY TO TRANSCO PLC.**

**OFGEM INTENDS TO APPLY THIS CONDITION TO ALL NTS AND DN-GT LICENSEES. FURTHER CONSIDERATION IS BEING GIVEN TO THE APORTIONMENT OF THE TARIFF CAP. OFGEM INVITES VIEWS ON THIS PROPOSAL.]**

**1. Principal restriction**

The licensee in setting its charges for each of its tariff-capped metering activities in any formula year shall not exceed the maximum tariff cap in respect of that metering activity in respect of that formula year  $t$  ( $M_t^A$ ).

**2. Maximum tariff caps ( $M_t^A$ )**

For the purposes of paragraph 1 of this Special Condition the maximum tariff cap for each tariff-capped metering activity in respect of formula year  $t$  ( $M_t^A$ ) shall be derived in the following manner:

- (1) In respect of the formula year commencing on 1 April 2002 ( $t=1$ ), the maximum tariff caps shall have the values set out in the following table:

<b>Activity</b>	<b>Description</b>	<b>Maximum tariff caps (<math>M_1^A</math>)</b>
1	Annual charge for providing and maintaining the assets that form a domestic credit meter installation, per meter per	£12.29 $\times (1 + RPI_0)$

annum

2	Annual charge for providing and maintaining the assets that form a prepayment meter installation, per meter per annum	£27.29 $\times (1 + RPI_0)$
3	Annual charge for providing a daily meter reading for daily metered supply meter points, per supply meter point per annum	£340.00 $\times (1 + RPI_0)$
4	Carrying out the work to replace a domestic credit meter with a prepayment meter, per job undertaken	£46.00 $\times (1 + RPI_0)$

(2) Otherwise, prior to the formula year commencing 1 April 2005:

$$M_t^A = M_{t-1}^A + (M_{t-1}^A \times RPI_t) \text{ (rounded up or down to the nearest penny).}$$

where:

$RPI_0$  means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from April to September (both inclusive) in the year 1999 and of the arithmetic average of the retail price index numbers published or determined in each of the six months from July to December (both inclusive) in the year 2001; and

$RPI_t$  means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from June to November (both inclusive) in formula year t-1 and the arithmetic average of retail price index numbers published or determined with respect to the same months in formula year t-2.

(3) In respect of the formula year commencing 1 April 2005 and subsequent formula years the value of  $M^A_t$  shall be determined using the following formulae:

(i) For Activity 1 and 2 the value of  $M^A_t$  will be calculated using the following formula:

$$M^A_t = (M^A_{t-1} + (M^A_{t-1} \times RPI_t)) - R_t$$

(ii) For Activity 3 and 4 the value of  $M^A_t$  will be calculated using the following formula:

$$M^A_t = M^A_{t-1} + (M^A_{t-1} \times RPI_t)$$

(4) In respect to the formula year commencing 1 April 2005, the value for  $R_t$  shall be calculated using the following formula:

$$R_t = \pounds 1.10 + (\pounds 1.10 \times RPIr_t) \text{ (rounded up or down to the nearest penny)}$$

(i) Where:

$RPIr_t$  Means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from June to November (both inclusive) in the year 2001 and of the arithmetic average of the retail price index numbers published or determined in each of the six months from June to November (both inclusive) in the year 2004.

(ii) In respect of the formula year commencing 1 April 2006 and subsequent formula years the value for  $R_t$  shall be zero.

### 3. Definitions

In this Special Condition:

daily metered supply meter points	means a supply meter point which is read on a daily basis in accordance with section M paragraph 1.3.1 or section G 1.5.1(b) or section G paragraph 1.5.3 of the licensee's Network Code having effect as such on 1 April 2002;
domestic credit meter installation	means a domestic sized meter and associated equipment and installations (excluding housing) within the definition of a supply meter installation (having the meaning given to that term in the licensee's Network Code) that is not a prepayment meter installation;
domestic sized	means designed for a maximum rate of gas flow which does not exceed six (6) cubic metres per hour;
tariff capped metering activities	means those activities provided by the licensee listed in paragraph 2 of this Special Condition; and
prepayment meter installation	means a domestic sized meter and associated equipment and installations (excluding housing) within the definition of a supply meter installation (having the meaning given to that term in the licensee's Network Code) through which gas, which is charged for as it is used, is supplied.

### 4. Departures from published statements of charges in respect of tariff-capped metering activities

- (1) Where the licensee wishes to depart from its published statement of charges prepared in accordance with Standard Special Condition A[ ] (Provision of Metering and Metering Reading Services) in respect of the provision of tariff

capped metering activities by increasing its charges to a supplier to a level which would result in any given formula year in a breach of its obligations under paragraph 1 of this Special Condition:

- (a) in consequence of that supplier having unbundled part of its supplier's metering portfolio; or
- (b) where it reasonably considers that the departure is necessary to comply with its duty in paragraph 1A of Standard Special Condition A[ ] (Provision of Metering and Meter Reading Services),

the licensee shall make a written application to the Authority specifying why the change is requested, providing specification of the metering activities to be provided to that supplier, the proposed level of charge broken down between the different types of metering activities to be provided to that shipper together with such other information to support its application as the Authority may reasonably specify in writing.

- (2) The licensee may, with effect from the date of the application, levy the charges specified in that application in respect of that supplier if:
  - (a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent and on the basis of such terms and conditions as the Authority may specify; or
  - (b) if the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap within 90 days after receipt of the application.

## **5. Disapplication of the maximum tariff caps**

- (1) The maximum tariff caps 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 5(2) to 5(8) of this Special Condition.

- (2) The maximum tariff caps 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 5(3) of this Standard Special Condition and notice is given to the Authority by the licensee in accordance with either paragraph 5(6) or paragraph 5(7) of this Special Condition.
- (3) A disapplication request shall:
  - (i) be in writing addressed to the Authority;
  - (ii) specify the maximum tariff cap or caps to which the request relates; and
  - (iii) state the date (being not earlier than the date referred to in paragraph 5(5) of this Special Condition) from which the licensee wishes the Authority to agree that the maximum tariff cap or caps shall cease to have effect.
- (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 5(3) of this Special Condition shall have effect until a date being not less than 18 months after delivery of the disapplication request ("the disapplication date").
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of the maximum tariff cap or caps 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 the disapplication request, the licensee may deliver written notice to the Authority terminating the application of the maximum tariff cap or caps as 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 the maximum tariff cap or caps specified in the disapplication request and such report does not include a conclusion that the

cessation of such maximum tariff caps, 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 the maximum tariff cap or caps specified in the disapplication request with effect from the disapplication date or later.

- (8) A disapplication request or notice served under this Special Condition may be served in respect of a specified geographic area.

**Standard Special Condition A[ ] . Non-discrimination in the provision of metering activities**

**[N.B. THIS IS A SPECIAL CONDITION CURRENTLY APPLICABLE ONLY TO TRANSCO PLC. OFGEM INTENDS TO APPLY THIS CONDITION TO ALL NTS AND DN-GT LICENSEES. OFGEM INVITES VIEWS ON THIS PROPOSAL.]**

1. The licensee shall avoid undue discrimination and undue preference between any persons or class or classes of persons in the provision of metering activities.
2. Without prejudice to paragraph 1 and subject to paragraph 4 of this Special Condition, the licensee shall not make charges for the provision of metering activities to any shipper or class or classes of shipper which differ in respect of any item separately identified in the statements referred to in paragraph 5 of Standard Special Condition A[ ] (Provision of metering and meter reading services) from those for the provision of metering activities to any other gas shipper or class or classes of shipper except insofar as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraph 2 of this Special Condition, the licensee shall not make any charges in respect of metering activities in respect of any item of charge separately identified in the statements referred to in paragraph 5 of Standard Special Condition A[ ] (Provision of metering and meter reading services) on any shipper whose contract does not provide for him to receive the activity to which such item of charge refers.
4. The licensee shall not in setting charges in respect of metering activities restrict, distort or prevent competition in the supply or conveyance of gas.
5. For the purposes of this Special Condition:

metering activities

means tariff capped metering activities and non-tariff capped metering activities.

non-tariff capped metering activities

means all metering activities (including for the avoidance of doubt meter reading) provided by the licensee other than tariff-capped metering activities;

tariff capped metering activities

shall have the meaning given to that term in Standard Special Condition A[ ] (Restriction of prices in respect of tariff capped metering activities).

**Standard Special Condition A[ 1]. Charging of Gas Shippers – Domestic Infill Premises**

**[N.B. THIS IS A SPECIAL CONDITION CURRENTLY APPLICABLE ONLY TO TRANSCO PLC. OFGEM INTENDS TO APPLY THIS CONDITION TO ALL NTS AND DN-GT LICENSEES. OFGEM INVITES VIEWS ON THIS PROPOSAL.]**

1. Where the licensee makes charges in accordance with amended Standard Special Condition A[ 1] (Charging of Gas Shippers – General) the licensee may include a surcharge subject to the following conditions,
    - (a) from 1 January 2004 the maximum surcharge is 0.3412 pence per kWh of gas transported adjusted on 1 January of each subsequent year by a factor of  $\left(1 + \frac{RPI}{100}\right)$ . RPI means the value published in October of each year by the Authority and calculated as the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail price index determined in respect of April to September (both inclusive) of the current calendar year and the arithmetic average of the retail price index determined with respect to April to September of the previous calendar year;
    - (b) the surcharge has a maximum duration of 20 years from when the surcharge to the relevant shipper first falls due;
      - a. the surcharge may only apply to existing domestic premises which were in existence for not less than 6 months prior to the provision of the gas main extended specifically for connection of those premises, and which have not previously received a supply of natural gas;
      - b. the licensee has, on request to provide a connection by the owner or occupier of the premises, extended a gas main to specifically connect the premises;
      - c. the licensee must notify the Authority of the specified amount and specified duration as soon as reasonably practicable but in any event to later than 28 days prior to any such charge falling due; and
- the Authority may direct the licensee not to make the surcharge within 28 days of the notification in (e) above.

**Standard Special Condition A[ ]. Amendments to Standard Conditions and Standard Special Conditions**

**[N.B. THIS CONDITION AMENDS CERTAIN PROVISIONS CONTAINED IN THE STANDARD CONDITIONS AND THE STANDARD SPECIAL CONDITIONS.**

**IT HAS BEEN DRAFTED ON THE BASIS THAT BOTH NTS AND DN LICENCES WILL NEED TO DEAL WITH THE ISSUES RAISED BY LNG STORAGE. HOWEVER, OFGEM HAS INVITED VIEWS ON THE SUITABILITY OF THIS APPROACH.**

**IF OFGEM DETERMINES THAT IT IS ONLY APPROPRIATE FOR THE LICENCE OF THE NTS OPERATOR TO DEAL WITH LNG STORAGE, THEN THE PROVISIONS BELOW WHICH RELATE TO LNG WILL BE REMOVED FROM THIS CONDITION AND WILL BE STATED IN A SEPARATE CONDITION IN THE SPECIAL CONDITIONS APPLICABLE TO THE NTS LICENSEE (SPECIAL CONDITION B[ ]: AMENDMENTS TO STANDARD CONDITIONS AND STANDARD SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE.**

**THE PROVISIONS BELOW WHICH DO NOT RELATE TO LNG WILL CONTINUE TO APPEAR IN THIS CONDITION REGARDLESS OF THE APPROACH TAKEN IN RESPECT OF LNG.]**

1. Standard Special Condition A[ ] (Definitions and Interpretation) shall be amended by the addition of the following definitions:

““competition in relation to the storage of gas in LNG Storage Facilities”

means effective competition in or to the storage service offered by the LNG Storage Facilities, taking account of the provision by other persons of goods or services of equivalent purpose or effect to such storage (including where appropriate supplies of peak gas and the interruption of supplies to customers in accordance with their terms of supply);”

““LNG”

means liquefied natural gas;”

““LNG arrangements”	storage	means arrangements whereby gas shippers may, from time to time and in different cases and circumstances, have gas stored in the LNG Storage Facilities;”
““LNG Storage Business”		means the activities of the licensee connected with the development, administration, maintenance and operation of the LNG Storage Facilities by the licensee for the storage of gas in Great Britain and with the Supply of LNG Storage Services relating to those facilities;”
““LNG Storage Facilities”		means containers for the storage of LNG operated by the licensee and any other facilities used by the licensee in connection with the storage of LNG in Great Britain which both are operated by the person who holds this licence and were so operated at a time during the period of 12 months ending with 1 March 1996,”
““Supply of LNG Storage Services”		means the undertaking and performance for gain or reward of engagements in connection with the storage of gas in the LNG Storage Facilities;”
““Transportation and LNG Storage Business”		<p>means the activities of the licensee connected with the development, administration, maintenance and operation of</p> <p>(a) the Transportation System and with the Supply of Transportation Services; and</p> <p>(b) the LNG Storage Facilities and with the Supply of LNG Storage Services,</p> <p>but excluding the Metering Business and the Meter Reading Business;”</p>

““Transportation Business” means the Transportation and LNG Storage Business except the LNG Storage Business;”

2. Standard Special Condition A[ ] (Charging Gas Shippers – General) shall be amended by the deletion of paragraphs 6, 9 and 10 and the insertion of the following at paragraphs 6, 9 and 10:

“6. In any case in which the licensee is willing to enter into LNG storage arrangements -

(a) if the charges in pursuance of those arrangements are not governed by the methodology established under paragraph 5, the licensee shall avoid any undue preference or undue discrimination in the terms on which it enters into such arrangements; and

(b) if either those charges or any charges made in pursuance of transportation arrangements other than LNG storage arrangements are not governed as aforesaid, the licensee shall ensure so far as is reasonably practicable, that no unjustified cross-subsidy is involved between the terms on which it enters into the LNG storage arrangements and those on which it enters into other transportation arrangements.”

“9. In this condition “transportation arrangements” includes LNG storage arrangements.”

“10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and the Authority’s view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 9, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definition of “transportation

arrangements” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.”

3. Standard Special Condition A[ ] (Obligations as Regard Charging Methodology) shall be amended by the deletion of paragraphs 11 and 12 and the insertion of the following paragraphs 11 and 12:

“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.”

- “12. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 11, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definition of “transportation business” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.”
4. Standard Special Condition A[ ] (Conduct of Transportation Business) shall be amended by the deletion of paragraphs 2(i) and 3 and the insertion of the following paragraphs 2(i) and 3:
- “2 In this condition “transportation business” includes –
- (i) LNG storage arrangements, the provision of Metering Services and Meter Reading Services; and”
- “3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of sub-paragraph 2(i) then the sub-paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the reference thereto in the definition of “transportation business” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.”
5. Standard Special Condition A[ ] ( Requirement to Enter into Transportation Arrangements in Conformity with Network Code) shall be amended by the deletion of paragraphs 2 and 3 and the insertion of the following paragraphs 2 and 3:

- “2. In this condition “transportation arrangements” includes LNG storage arrangements.”
- “3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 2, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the reference thereto in the definition of “transportation arrangements” in Standard Special Condition A[ ] (Definitions and interpretation) shall cease to have effect”.
6. Standard Special Condition A[ ] ( Network Code) shall be amended by the deletion of paragraphs 13 and 14 and the insertion of the following paragraphs 13 and 14:
- “13. In this condition “transportation arrangements” includes LNG storage arrangements.”
- “14. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 13 then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the reference thereto in the definition of “transportation arrangements” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect”.

7. Standard Special Condition A[ ] (Provision of Information to the Authority) shall be amended by the deletion of paragraphs 9 and 10 and the insertion of the following paragraphs 9 and 10:

“9 In this condition “transportation business” includes –

- (a) LNG storage arrangements; and
- (b) the provision of Metering Services and of Meter Reading Services.”

“10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of sub-paragraph (i) of paragraph 9, then the sub-paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the reference thereto in the definition of “transportation business” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.”

8. Standard Special Condition A[ ] (Long Term Development Statement) shall be amended by the deletion of paragraphs 6 and 7 and the insertion of the following paragraphs 6 and 7:

“6 In this condition “transportation arrangements” includes LNG storage arrangements.”

“7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 6 then the paragraph shall be omitted with effect from a

date specified in a notice published by the Authority for that purpose and the reference thereto in the definition of “transportation arrangements” in Standard Special Condition A[ ] (Definitions and Interpretation) shall cease to have effect.”

9. Standard Special Condition A[ ] (Disposal of Assets) shall be amended by:
- (a) inserting “LNG” in front of the words “storage asset” where they appear in paragraphs 1, 2, 3, 4 and 6; and
  - (b) deleting paragraphs 6 and 7 and inserting the following paragraphs 6 and 7:

“6. In this condition-

“disposal”:

- (a) in relation to disposal of a transportation asset or LNG storage asset situated in England and Wales includes, any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge, or the grant of any other encumbrance, or the permitting of any encumbrance to subsist or any other disposition [to a third party]”
- (b) in relation to disposal of a transportation asset or LNG storage asset situated in Scotland, includes the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land

and “dispose” and “cognate” expressions shall be construed accordingly;

““LNG storage asset” means any of the LNG Storage Facilities or anything used by the licensee in connection with the provision of such facilities;”

“relinquishment of operational control” includes, without limitation, entering into any agreement or arrangement whereby operational control of a transportation asset or LNG storage asset or transportation assets or LNG storage assets is not or ceases to be under the sole management of the licensee.

“transportation asset” means any part of the licensee’s pipe-line system or any part of any facility being one –

(i) used by the licensee only for the diurnal storage of gas or for the storage of gas in connection with the operation of its independent systems; and

(ii) required for the proper performance of its duty under section 9(1) of the Act, together with any estate or interest in land required for the utilisation of that system or of such a facility.

“7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons and to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it

appropriate that this condition should be modified by the omission of the definition of “LNG storage asset” from paragraph 6 and the words “or LNG storage asset” at each place they occur in this condition then these omissions shall be made with effect from a date specified in a notice published by the Authority for that purpose.”

10. Standard Special Condition A[ ] (Regulatory Accounts) shall be amended by the deletion of paragraphs 1, 2, 10 and 11 and the insertion of the following paragraphs 1, 2, 10 and 11:

“1. The following paragraphs of this condition apply for the purpose of ensuring that the licensee (and any affiliate or related undertaking) maintains accounting and reporting arrangements which enable regulatory accounts to be prepared for –

- (a) the Transportation and LNG Storage Business;
- (b) the Transportation Business;
- (c) the LNG Storage Business;
- (d) the Metering Business; and
- (e) the Meter Reading Business

showing the financial affairs of each such business.”

“2. The licensee shall, in respect of each such business:

- 1. keep or cause to be kept, for the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section such accounting records in respect of each of the businesses referred to in paragraph 1 so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each such business are separately identifiable in the

accounting records of the licensee (and any affiliate or related undertaking) from those of any other business of the licensee;

2. prepare on a consistent basis from such accounting records in respect of:

(i) each financial year, accounting statements comprising a profit and loss account, a statement of total recognised gains and losses, a cash flow statement, and in respect of each of the businesses referred to in paragraph 1, a statement of net assets at the end of the period, together with notes thereto, and showing separately in respect of each of the businesses referred to in paragraph 1 and in appropriate detail the amounts of any revenue, cost, asset, liability, reserve or provision which has either been:

(aa) charged from any ultimate controller of the licensee, together with any subsidiary of such ultimate controller (other than the licensee or its subsidiaries) in relation to the provision of goods or services to the licensee

(bb) charged from the licensee in relation to the provision of goods or services to any ultimate controller of the licensee together with any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries); or

(cc) determined by apportionment or allocation between any of the businesses referred to in paragraph 1 and any other business of the licensee or affiliate or related undertaking together with a description of the basis of the apportionment or allocation;

provided that the obligations in (aa), (bb) and (cc) above shall only apply to goods and services received or supplied for the purposes of the Transportation and LNG Storage Business, the Metering Business and the Meter Reading Business; and

(ii) the first six months of each financial year, an interim profit and loss account; and

- (iii) each financial year, sufficient accounting information in respect of each of the businesses referred to in paragraph 1 to allow the preparation of consolidated accounting statements of the licensee or, where applicable, the ultimate controller of the licensee. Such information shall include a profit and loss account, a statement of total recognised gains and losses, a balance sheet, and a cash flow statement together with notes thereto;
- (c) procure, in respect of the accounting statements prepared in accordance with this condition in respect of each financial year, a report by the auditors and addressed to the Authority stating whether in their opinion those statements have been properly prepared in accordance with this condition and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the businesses referred to in paragraph 1 to which the statements relate; and
- (d) deliver to the Authority a copy of the account referred to in sub-paragraph (b)(ii), the auditors' report referred to in sub-paragraph (c), the accounting statements referred to in sub-paragraph (b)(i) and the accounting information referred to in sub-paragraph (b)(iii), as soon as reasonably practicable, and in any event not later than three months after the end of the period to which it relates in the case of the account referred to in sub-paragraph (b)(ii) and six months after the end of the financial year to which they relate in the case of the accounting statements, auditors' report and accounting information referred to in sub-paragraphs (b)(i), (b)(iii) and (c)."

“10. This condition shall not require the publication of any accounting statements for the LNG Storage Business, the Metering Business or the Meter Reading Business where publication would or might seriously and prejudicially affect the interests of the licensee, any ultimate controller of

the licensee or any subsidiary of any ultimate controller and for this purpose the licensee shall (except in so far as the Authority consents to the licensee not doing so) refer for determination by the Authority any question as to whether any such publication would or might so affect the interests of the licensee or any ultimate controller of the licensee or any subsidiary of any ultimate controller.”

“11. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and the Authority’s view on that question, considers it appropriate that this condition be modified by the omission of sub-paragraph 1(d) and the definition of “LNG Storage Business” should be deleted then these omissions shall be made with effect from the date specified in a notice published by the Authority for that purpose; and the definitions of “the Transportation Business” shall be construed so as to give effect thereto and shall be treated as amended accordingly.”

11. Standard Special Condition A[ ] (Interpretation of Section C) shall be amended by the replacement in sub-paragraph (a) of the definition of “permitted purpose” of the words “the transportation business” with the words “Transportation and LNG Storage Business”

12. Standard Special Condition A[ ] (Restriction on Use of Certain Information and Independence of the Transportation Business) shall be amended by the deletion of paragraphs 4 and 5 and the insertion of the following paragraphs 4 and 5:

“4. In this condition “transportation business” includes LNG storage arrangements, and in sub-paragraph 2(c) “transportation arrangements” includes LNG storage arrangements.”

“5. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 4 then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definitions of “transportation arrangements” and “transportation business” in standard condition 1 (Definitions and Interpretation) shall cease to have effect”.”

13. Standard Special Condition A[ ] (Availability of Resources) shall be amended by the following:

- (a) in paragraph 1(a) by the deletion of the words “transportation business” and the insertion of the words “Transportation and LNG Storage Business”; and
- (b) by the addition of the following new paragraph as paragraph 7:

“7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG Storage Facilities and its view on that question, considers it appropriate that this condition should be construed as if the definition of “the Transportation and LNG Storage Business” made no reference to the “LNG Storage Business” then for the purpose of this amended standard condition, with effect from the date specified in a notice published by the Authority for that purpose, the definition of “the Transportation and LNG Storage Business” shall be so construed and shall be treated as modified accordingly.”

14. Standard condition 43 (Restriction on Activity and Financial Ringfencing) shall be amended as follows:

- (a) by replacing the words “transportation business” at the end of paragraph 1 with the words “any business carried on by the licensee for a purpose within the sub-

paragraphs (a), (b), (c) and (d) of the definition of “permitted purpose” in Standard Special Condition A[ ] (Interpretation of Section C)”; and

(b) by inserting the following words at the end of sub-paragraph 4(d):

“less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date.”

15. Standard Special Condition A[ ] (Emergency Services to or on Behalf of Another Gas Transporter) shall be amended, at paragraph 3, by the replacement of the words “transportation business” where they appear after the words “for the purposes of its” with the words “Transportation and LNG Storage Business”.

**SPECIAL CONDITIONS APPLICABLE TO ALL NTS LICENSEES: PART A**

**[THESE ARE NOT REPRODUCED IN THIS LICENCE AS THEY ARE NOT APPLICABLE TO DN LICENSEES.]**

**SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART B**

**[THESE ARE NOT REPRODUCED IN THIS LICENCE AS THEY ARE NOT APPLICABLE TO DN LICENSEES.]**

**SPECIAL CONDITIONS APPLICABLE TO ALL DN LICENSEES: PART A**

**Standard Special Condition A] 1. Disapplication of Section A (Interpretation, Application and Payments) and Section B (General) and Application of Standard Special Conditions applicable to DN licensees.**

**[N.B. THIS CONDITION SETS OUT A PROPOSED MECHANISM FOR THE “SWITCH OFF” OF DESIGNATED STANDARD CONDITIONS APPEARING IN PARTS A AND B AND THE “SWITCH ON” OF STANDARD SPECIAL CONDITIONS. THE PROPOSAL FOR SUCH A SWITCH IS DISCUSSED IN THE CONSULTATION DOCUMENT AT PARAGRAPH 3.20.]**

1. Until the Authority has issued to the licensee a direction pursuant to paragraph 2, the Standard Special Conditions applicable to DN licensees (in whole or, as the case may be, in part) shall not have effect within this licence; and the licensee
  - (a) shall not be obliged to comply with any of the requirements of the Standard Special Conditions applicable to DN licensees (in whole or, as the case may be, in part) of this licence; and
  - (b) shall be obliged to comply with the requirements of the standard conditions contained in Sections A (Interpretation, Application and Payments) and B (General) of this licence.
  
2. The Authority may, with the consent of the licensee, issue a direction (a “Standard Special Conditions applicable to DN licensees direction”). A Standard Special Conditions applicable to DN licensees direction may specify that
  - (a) the Standard Special Conditions applicable to DN licensees (in whole or in part) are to have effect in this licence; and
  - (b) the standard conditions in Sections A and B (in whole or, as the case may be, in part) shall not have effect within this licence

from the date specified in the direction.

3. Where the Authority has issued to the licensee a Standard Special Conditions applicable to DN licensees direction,
  - (a) the Standard Special Conditions applicable to DN licensees (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of the Standard Special Conditions applicable to DN licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction; and
  - (b) the standard conditions in Sections A and B (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of Sections A and B (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction..
  
4. The Authority may, with the consent of the licensee:
  - (a) vary the terms (as set out in the Standard Special Conditions applicable to DN licensees direction or elsewhere) under which the Standard Special Conditions applicable to DN licensees and/or the standard conditions set out in Section A and Section B (or parts thereof) have effect in this licence; or
  - (b) provide for the Standard Special Conditions applicable to DN licensees (or parts thereof) to cease to have effect in this licence and/or the standard conditions set out in Section A and Section B (or parts thereof) to have effect in this licence.
  
5. The variation or cessation provided for in paragraph 4 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority under that paragraph of this condition.

**Standard Special Condition A[ ]. Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to DN licensees**

**[INSERT PRIVATE COLLECTIVE LICENCE MODIFICATION, DISCUSSED AT PARAGRAPHS 3.26-28 OF THE CONSULTATION DOCUMENT TO BE INSERTED HERE.]**

**SPECIAL CONDITIONS APPLICABLE TO LICENSEE (DN): PART B**

**Special Condition B[ ]. Amendments to Standard Conditions and Standard Special Conditions applicable to the licensee**

**[N.B. THE PROVISIONS OF THIS CONDITION SUPPLEMENT STANDARD SPECIAL CONDITION A[ ] (DISPOSAL OF ASSETS) IN THE DN LICENCE OF ANY LICENSEE IN WHOSE DISTRIBUTION NETWORK THERE IS SITUATED AN INDEPENDENT SYSTEM. IT REPLICATES THE CURRENT PROVISIONS OF PARAGRAPH 2A OF AMENDED STANDARD CONDITION 29 (DISPOSAL OF ASSETS) IN THE GAS TRANSPORTER LICENCE OF TRANSCO PLC.**

**THE PRECISE DRAFTING OF THIS CONDITION WILL NEED FURTHER CONSIDERATION DEPENDING ON IN WHICH LICENSEES' LICENCES THE PROVISIONS WILL APPEAR.]**

1. Standard Special Condition A[ ] ( Disposal of Assets) shall be amended by inserting the following paragraph 2A after paragraph 2:

“2A. The following provisions of this paragraph shall apply where the transportation asset comprises a significant part of an independent system operated by the licensee and which was operated by the licensee on the appointed day.

- (a) Save where the Secretary of State otherwise agrees, the licensee shall neither agree to dispose of, nor dispose of, its right to operate such a transportation asset unless it has put in place or procured, or will with effect from no later than the date of such disposal put in place or procure, a suitable alternative arrangement and any question arising under this subparagraph as to whether an alternative arrangement is or will be suitable shall be determined by the Secretary of State.
- (b) The licensee shall notify the Secretary of State no less than 60 days in advance of the proposed disposal and if the Secretary of State directs the licensee within 30 days of such notification, not to proceed with

the disposal on grounds that a suitable alternative arrangement has not been or will not be put in place or procured, the licensee shall comply with the direction.

- (c) In this paragraph, “alternative arrangement” means, in respect of relevant premises (as defined in Standard Special Condition A [ ] (Conveyance to Independent Systems)), an arrangement for the conveyance of gas which has the like effect for the purpose of protecting the interests of consumers at such premises as the aforesaid Standard Special Condition A [ ] (Conveyance to Independent Systems)

## Special Condition B[ ] Revenue Restriction Definitions

**[N.B. THESE DEFINITIONS HAVE BEEN EXTRACTED FROM THE EXISTING SPECIAL CONDITION 28A CONTAINED IN TRANSCO PLC'S GAS TRANSPORTER LICENCE APPROPRIATELY TO REFERENCE ONLY THOSE TERMS WHICH ARE RELEVANT TO THE DN REVENUE RESTRICTION PROVISIONS.]**

1. In this Special Condition:

appropriate auditors	means any auditors for the time being holding office in accordance with the requirements of the Companies Act 1985;
Audit	means an investigation by appropriate auditors, the scope and objectives of which shall be set by the licensee and approved by the Authority;
commercial user quantity	means the aggregate quantity of gas in kilowatt hours, taken off the Distribution network in respect of the formula year by persons other than the licensee supplied with at least 5,860,000 kilowatt hours of gas but less than 1,465,355,000 kilowatt hours of gas in the formula year;
connected system exit point	has the meaning given to that term in the licensee's Network Code;
Day	has the meaning given to that term in the licensee's Network Code;
Distribution Network	Means the gas distribution network comprised of <b>[NAME SPECIFIC LDZs HERE]</b> owned by Transco plc on 1 April 2004 and defined in Transco plc's Ten

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Distribution Network transportation activity	means the activities of the licensee connected with the development, administration, maintenance and operation of the Distribution network and with the supply of Distribution services;
Distribution Network transportation activity revenue	means the revenue derived by the licensee from the supply of Distribution 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 Distribution 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;
formula year	means a period of twelve months commencing on 1 April at 06:00 hours, the first such formula year (t=1) commencing 1 April 2004 at 06:00 hours;
gigawatt hour or GWh	means one million kilowatt hours;
kilowatt hour or kWh	means 3,600,000 Joules;
large user quantity	means the sum of the commercial user quantity and the small interruptible user quantity;
LDZ shrinkage	means the sum of LDZ own use gas and LDZ unaccounted for gas (both having the meanings given to those terms in the licensee's Network Code);
shipper	means any gas shipper, or person benefiting from an exemption under section 6A of the Act from the prohibition under section 5(1)(c) of the Act, who has

	arranged with the licensee for gas to be introduced into, conveyed by means of, or taken out of the transportation system;
small interruptible user quantity	means the aggregate quantity of gas in kilowatt hours, taken off the Distribution network in respect of formula year t by persons who are supplied through a supply point that is interruptible (in accordance with the licensee's Network Code) and who are supplied with less than 5,860,000 kilowatt hours of gas in that formula year;
small user quantity	means the Distribution Network transportation quantity less the sum of the very large user quantity and large user quantity;
specified rate	means the base rate of Barclays Bank plc current from time to time during the period in respect of which the calculation falls to be made;
subscript t	means the relevant formula year;
supply of Distribution services	means the undertaking and performance for gain or reward of engagements: <ul style="list-style-type: none"> <li>(a) in connection with the conveyance of gas through the Distribution network; and</li> <li>(b) for the prevention of the escape of gas which has been taken off the Distribution network,</li> </ul>
supply point	has the meaning given to that term in the licensee's Network Code;
transportation system	means the system (having the meaning given to that term

in the licensee's Network Code);

very large user quantity means the aggregate quantity of gas in kilowatt hours, taken off the Distribution network in a formula year by persons other than the licensee supplied with at least 1,465,355,000 kilowatt hours of gas in the formula year.

2. Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived.

**Special Condition B[ ] . Restriction of Revenue in respect of the Distribution Network transportation activity**

**[NOT REPRODUCED HERE – SEE SEPARATE DOCUMENT.]**

**Special Condition B[ ] . Allocation of revenues and costs for calculations under the price control**

**[N.B. THIS CONDITION HAS BEEN AMENDED FROM THE CURRENT SPECIAL CONDITION 29 IN ORDER THAT IT APPROPRIATELY REFLECTS THOSE PROVISIONS WHICH RELATE TO THE DN. OFGEM IS CURRENTLY SEEKING VIEWS ON THIS APPROACH.]**

1. Unless the Authority otherwise directs any allocation or attribution of revenues, costs, assets and liabilities performed by the licensee in order to calculate any of the values referred to in Special Condition B[ ] (Restriction of revenue in respect of the Distribution Network transportation activity) shall conform to the following principles:
  - (a) The licensee shall in so far as is reasonably practicable allocate or attribute revenues, costs, assets and liabilities in accordance with the activities which cause the revenues to be earned, costs to be incurred, the assets to be acquired or the liabilities to be incurred.
  - (b) The licensee shall perform allocations and attributions:
    - (i) on an objective basis; and
    - (ii) in a manner calculated not to benefit unduly the licensee or any other company or organisation.
  - (c) The licensee shall perform, wherever practicable, all allocations and attributions on a consistent basis from one formula year to the next.
2. The licensee will allocate or attribute all revenue earned and costs incurred by the transportation business to the following activities:
  - (a) the Distribution Network transportation activity;
  - (b) the metering activities; or

- (c) excluded services in accordance with the principles set out in Special Condition B[ ] (Supplementary provisions of the revenue restrictions).
3. The licensee shall on or before 1 October 2002 or such later date as the Authority may direct and thereafter before 1 July in each subsequent formula year (or such longer period as the Authority may approve) prepare and submit to the Authority a statement in a form approved by the Authority setting out (consistently with the licensee's duty under paragraph 1 and 2 of this Special Condition and consistently with its other duties under the Act, and the standard, Standard Special and Special Conditions) the methods it intends to use in the allocation and attribution of revenues and costs. As a minimum, the statement shall distinguish from each other the allocation or attribution of, revenues, costs, assets and liabilities to each of the activities listed in paragraph 2 of this Special Condition and where such allocations and attributions have changed from one year to the next, the licensee shall indicate how and why such basis has been changed.
  4. The licensee shall re-allocate or re-attribute revenues earned by the licensee and costs incurred by the licensee to the activities undertaken by the licensee listed in paragraph 2 of this Special Condition in accordance with any direction made in writing by the Authority within three months of receipt of the statement prepared pursuant to paragraph 3 of this Special Condition so as to bring such re-allocation or attribution into compliance with paragraph 1 of this Special Condition.
  5. (a) The licensee shall no later than three months after the end of each formula year prepare and submit to the Authority a report on the manner in which and the extent to which the licensee has, during that formula year, complied with the statement prepared pursuant to paragraph 3 of this Special Condition as modified pursuant to paragraph 4 of this Special Condition and whether any modification should be made to that statement to reflect more closely the practice of the licensee.  
  
(b) The report shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has properly prepared the report

submitted pursuant to paragraph 5(a) in accordance with paragraphs 3 and 4 of this Special Condition.

6. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraphs 3 and 4 of this Special Condition.
7. To the extent the licensee earns revenues or incurs costs in the provision of de minimis activities in accordance with Standard Condition 43 (Restriction on Activity and Financial Ring-fencing), the licensee shall report on these revenues and costs in accordance with this Special Condition.
8. In this Special Condition:

appropriate auditors shall have the meaning given to that term in Special Condition B[ ] (Revenue restriction definitions);

transportation business means any activity or engagement undertaken by the licensee or any affiliate or related undertaking of the licensee related to the operation, planning, expansion and maintenance of its transportation system and shall include the Distribution Network transportation activity, the metering and meter reading activity and excluded services;

Distribution Network transportation activity shall have the meaning given to that term in Special Condition B[ ] (Revenue restriction definitions);

metering activity shall have the meaning given to that term in Standard Special Condition A[ ] (Non-discrimination in the provision of metering activities);

excluded services means any activity or engagement undertaken by the licensee or any affiliate or related undertaking of the licensee that has been determined by the Authority to be an excluded service in line with the principles outlined in

Special Condition B[ ] (Supplementary provisions of the revenue restrictions).

**Special Condition B[ ]. Supplementary provisions of the revenue restrictions**

**[N.B. THIS CONDITION HAS BEEN AMENDED FROM THE CURRENT SPECIAL CONDITION 30 IN ORDER THAT IT APPROPRIATELY REFLECTS THOSE PROVISIONS WHICH RELATE TO THE DN. OFGEM IS CURRENTLY SEEKING VIEWS ON THIS APPROACH.]**

1. There may be treated as excluded services provided by the licensee in the provision of its Distribution Network transportation activity in respect of which charges are made which:
  - (a) do not fall within Special Condition B[ ] (Restriction of revenue in respect of the Distribution Network transportation); and
  - (b) may be determined by the licensee as falling under one of the principles set out in paragraphs 2 to 4 of this Special Condition.
2. No service provided by the licensee as part of its Distribution Network transportation activity shall be treated as an excluded service in so far as it relates to the provision of services remunerated through charges levied pursuant to: paragraph [7 of Part 1 b] of Special Condition B[ ] (Restriction of revenue in respect of the Distribution Network transportation activity).
3. The whole or an appropriate proportion of the charges received for the following may be treated as excluded services:
  - (a) subject in each case to paragraphs 11 and 12 of standard condition 48 (Last Resort Supply: Payment Claims), are of an amount equal to the increases in its charges pursuant to paragraph 5 of said standard condition 48; or
  - (b) derive from supplemental charges within the meaning of amended standard condition 4C (Charging Gas Shippers – Supplemental Connection Charges); or

- (c) derive from charges in respect of the provision of emergency services under contracts entered into pursuant to Standard Special Condition A[ ] (Emergency services to or on behalf of another gas transporter); or
  - (d) represent revenue equal to any allowance made or charges (in respect of gas treated as not having been taken out of its pipeline system) required to be foregone for the purpose of paragraphs 5 and 6 of standard condition 7 (Provision of Information Relating to Gas Illegally Taken); or
  - (e) derive from the execution of works in connection with the provision of, or the carrying out of modifications to, points at which gas may be introduced into or taken off the transportation system.
4. There may with the approval of the Authority be treated as an excluded service any service of a type not referred to which:
- (a) consists in the provision of services for the specific benefit of a third party requesting the same; and
  - (b) is not made available by the licensee as a normal part of Distribution Network transportation activity.
5. Where the Authority is satisfied that in light of the principles set out in paragraphs 2 to 4 inclusive of this Special Condition any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect and such service shall cease to be treated as an excluded service with effect from the date of issue of such directions or such earlier date as specified in the directions 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 B[ ] (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.

**Special condition B[ ]. Information to be provided to the Authority in connection with the transportation system revenue restriction**

**[N.B. THIS CONDITION HAS BEEN AMENDED FROM THE CURRENT SPECIAL CONDITION 33 IN ORDER THAT IT APPROPRIATELY REFLECTS THOSE PROVISIONS WHICH RELATE TO THE DN. OFGEM IS CURRENTLY SEEKING VIEWS ON THIS APPROACH.]**

1. The licensee shall provide statements to the Authority of the information specified in the following table for the periods identified in that table and by the dates specified in that table. Where information is derived from a formula defined in the licence, the component parameters of that formula shall also be reported. Where information is requested in respect of periods of less than a full formula year, the licensee shall provide such information on a reasonable endeavours basis. All revenue and information provided shall comply with Special Condition B[ ] (Allocation of revenue and costs for calculations under the price control).

<b>Distribution Network transportation activity</b>			
$LDZR_t$	Distribution Network transportation activity revenue	Formula years	By 30 June in formula year t+1
$E_t$	Out-turn mains costs	Formula years	By 31 July in formula year t+1
$L_{n,t}$	Lengths of included mains decommissioned by diameter band	Formula years	By 31 July in formula year t+1
$LDZK_t$	Distribution Network transportation activity revenue	Formula years	By 30 June in formula

	adjustment factor		year t+1
	Distribution Network transportation quantity	Formula years	By 30 June in formula year t+1
	Commercial user quantity	Formula years	By 30 June in formula year t+1
$V_t$	Very large user quantity	Formula years	By 30 June in formula year t+1
	Small interruptible user quantity	Formula years	By 30 June in formula year t+1

<b>Emergency Services</b>		
Revenues earned and costs incurred in the provision of emergency services to other gas transporters, by gas transporter, including a description of the services provided.	Formula years	By 30 June in formula year t+1

2. If, prior to the fulfilment of its obligations under paragraph 3 of this Special Condition, the licensee becomes aware of any inaccuracies in respect of information it has provided to the Authority in pursuance of its obligations under paragraph 1 of this Special Condition it shall notify such inaccuracies to the Authority together with details of why such information is inaccurate and of the correct information.
  
3. As soon as reasonably practical after the end of each formula year and in any event no later than three months after the end of the formula year the licensee shall send to the Authority a reconciliation of the information provided in accordance with paragraph 1

of this Special Condition for periods of less than the formula year with that provided for the full formula year together with a written explanation of any discrepancies.

4. The reconciliations provided by the licensee under paragraph 3 of this Special Condition shall be accompanied by a report prepared by appropriate auditors addressed to the Authority which indicates whether, in their opinion:
  - that statement fairly presents so far as it reasonably possible to do so the licensee's performance against each of the performance measures provided for in Special Condition B[ ] (Restriction of revenue in respect of the Distribution Network transportation activity) in respect of the formula year to which the statement relates; and
  - that statement used data compiled in accordance with Special Condition B[ ](Allocation of revenues and costs for calculations under the price control) and is consistent with the licensee's accounting records; and
  - any explanations given by the licensee under paragraphs 2 and 3 of this Special Condition in respect of the formula year in question were reasonable and consistent with the information supplied.

**Special Condition B[ ] . Distribution Network transportation activity incentive scheme and performance reporting**

**[N.B. THIS SPECIAL CONDITION APPLIES TO THE DN LICENSEE ONLY]**

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 Distribution Network;
  - (b) to monitor the operation of, and delivery of appropriate output from, the licensee’s Distribution 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 transportation activity revenue restriction in Special Condition B[ ] [Part 1 b] (The Distribution Network transportation activity revenue restriction);

charging review date means any date from which modifications to Special Condition B[ ] [Part 1 b] (The Distribution Network transportation activity revenue restriction) relating to the licensee’s Distribution 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 review by the Authority of the revenue restrictions in Special Condition B[ ] [Part 1 b] (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 B[ ] (Revenue restriction definitions);

LDZ network means the licensee’s LDZ network transportation system management units or such other network management units as the licensee may from time to time establish;

Distribution Network has the meaning given in Special Condition B[ ] (Revenue Restriction Definitions).

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 means any instructions and guidance issued by the Authority

and guidance

for the purposes of this Special Condition as modified from time to time by notice under paragraph 9 and may include:

- (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

- (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:
  - (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 Distribution Network 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 Distribution Network in the form and manner specified in the regulatory instructions and guidance.
- (b) information regarding queries from shippers, comprising:
  - (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 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 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,
  - (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 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 LDZ 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 (meaning 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) in respect of the LDZ network and each 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 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 (or such other date as the Authority may direct in writing);

(b) the matters specified in sub-paragraph (b)-(h) of the definition of specified information from and including 1 April 2002 (or such other date as the Authority may direct in writing); 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, (or such other date as the Authority may direct in writing) 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);

(c) the information referred to in sub-paragraphs (b) - (h) of the definition of specified information on 31 July 2003 (or such other date as the Authority may direct in writing) 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
- (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 Distribution 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.
- 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.

12. 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.

## **Special Condition B[ 1. Exit code statement**

**[N.B. THIS CONDITION MAY NEED TO BE AMENDED TO ACKNOWLEDGE THE INTRODUCTION OF THE UNC/OFFTAKE CODE AND WILL REQUIRE AMENDMENT TO REFLECT THE ACTIVITIES BEING CONDUCTED BY NTS AND DN LICENSEES RESPECTIVELY. OFGEM IS SEEKING VIEWS ON THESE ISSUES AND THE DRAFTING NOTES REFLECT THIS POSITION.]**

1. 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 to the Authority an exit code statement (“the exit code statement”).
2. Except to the extent the Authority shall otherwise specify, the exit code statement referred to in paragraph 1 shall include:
  - (i) a description of the services which have been provided to (1) the [NTS Licensee] **[TO BE REVIEWED]** by the Distribution Network transportation activity; and (2) the Distribution Network transportation activity by the [NTS Licensee] **[TO BE REVIEWED]** in the previous formula year; and
  - (ii) provide details of any revenue received or charges made by (1) by the Distribution Network transportation activity from the [NTS Licensee] **[TO BE REVIEWED]**; and (2) by the [NTS Licensee] **[TO BE REVIEWED]** from the Distribution Network transportation activity in respect of each of the services referred to in (i) above in the previous formula year.

**Schedule 1: Specified Area**

**[N.B. THE SCOPE OF THE SPECIFIED AREA OF EACH LICENCE IS BEING CONSIDERED AS PART OF THE LICENCE APPLICATION CONSULTATION PROCESS. OFGEM WOULD INVITE RESPONDENTS TO COMMENT ON THIS ISSUE AS PART OF THAT PROCESS.]**

[Great Britain]

## Schedule 2: Revocation Of Licence

**[N.B. OFGEM DOES NOT CURRENTLY PROPOSE TO MODIFY THIS SCHEDULE. OFGEM WELCOMES RESPONDENTS' VIEWS ON ITS PROPOSAL NOT TO MODIFY THIS SCHEDULE.]**

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f)) in writing to the licensee:
  - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
  - (b) if any amount payable under standard condition 3 (Payments by licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
  - (c) if the licensee fails:
    - (i) to comply with a final order (within the meaning of section 28 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 30 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
    - (ii) to pay any financial penalty (within the meaning of section 30A of the Act) by the due date for such payment and such

payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 30E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;

- (d) if the licensee fails to comply with:
  - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
  - (ii) an order made by the court under section 34 of the Competition Act 1998;
- (e) if the licensee:
  - (i) shall not have commenced business as a gas transporter within a period of 3 years from the date on which this licence takes effect; or
  - (ii) ceases to carry on its business as a gas transporter; or
- (f) if the licensee:
  - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
  - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;

- (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
  - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
  - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
- (g) if the licensee is convicted of having committed an offence under section 43 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£250,000” or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
  3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

**Schedule 3: Transportation Services Area**

**[N.B. THIS SCHEDULE IS CURRENTLY UNDER CONSIDERATION AND OFGEM IS CURRENTLY SEEKING VIEWS ON WHETHER ANY MODIFICATIONS ARE REQUIRED.]**

[Great Britain]