

**Special Condition B[ ] Licensee's procurement and use of system management services****[NTS CONDITION]**

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1. The licensee shall operate the NTS in an efficient, economic and co-ordinated manner.
2. The licensee shall neither unduly discriminate nor unduly prefer in its procurement or use of system management services as between any persons or classes of persons.
3. The licensee shall before 1 October 2002 or such later date as the Authority may direct and thereafter before 1 April in each subsequent formula year (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out (consistently with the licensee's duties under paragraph 1 and 2 of this Special Condition and consistently with its other duties under the Act, and the standard, amended standard, Standard Special and Special Conditions) the kinds of system management services which it may be interested in purchasing in the period until the next statement is due, to be published pursuant to paragraph 11(a) in this Special Condition and the mechanisms by which it envisages purchasing, entering into or otherwise acquiring them, and the licensee shall revise such statement during any such period if its intentions change during that period.
4. Within one month after the date on which each statement, prepared pursuant to paragraph 3 of this Special Condition (other than the first one) is due to be published pursuant to paragraph 11(a) of this Special Condition ("the due date"), the licensee shall prepare a report in a form approved by the Authority in respect of the system management services which the licensee has bought or acquired in the period of 12 months (or such longer period as the Authority may approve or require) ending on the due date.
5. The licensee shall before 1 October 2002 or such later date as the Authority may direct prepare a statement in a form approved by the Authority setting out the principles and criteria (consistent with the licensee's duties under paragraph 1 and 2 of this Special Condition and consistent with its other duties under the Act, and the standard, amended standard, Standard Special and Special Conditions) by which the

licensee will determine, at different times and in different circumstances, which system management services the licensee will use to assist it in the operation of the NTS, and for what purpose, and when the licensee would resort to measures not involving the use of system management services in the operation of the NTS.

6. (a) This paragraph applies where the licensee's Network Code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of relevant system management services.

(b) Where this paragraph applies the licensee shall:

- (i) prepare a statement of the prevailing system management services adjustment data methodology as approved by the Authority;
- (ii) from time to time thereafter, when the licensee first buys, sells or acquires any relevant system management services of a kind or under a mechanism which is not covered by the prevailing system management services adjustment data methodology, promptly seek to establish a revised system management services adjustment data methodology approved by the Authority which covers those kinds of system management services mechanisms for buying, selling or acquiring them;
- (iii) before 1 October 2002, or such later date as the Authority may direct establish a system management services adjustment data methodology approved by the Authority; and
- (iv) at all times determine and provide (for use under the relevant provisions of the licensee's Network Code) the costs and volumes of relevant system management services in compliance with the prevailing system management services adjustment data methodology, which are to be taken into account in determining charges relating to system management services under the licensee's Network Code.

- (c) Except where the Authority directs otherwise, before revising the system management services adjustment data methodology the licensee shall:

- (i) send a copy of the proposed revisions to the Authority and to any person who asks for one;
  - (ii) consult shippers [and Offtake Connected persons] and allow them a period of not less than 28 days in which to make representations;
  - (iii) within 7 days of the close of the consultation referred to in sub-paragraph 6(c)(ii) of this Special Condition submit to the Authority a report setting out:
    - the revisions originally proposed,
    - the representations (if any) made to the licensee,
    - any change to the revisions; and
  - (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) of this paragraph or any of them shall not apply, comply with such other requirements as are specified in the direction.
- (d) The licensee shall not revise the system management services adjustment data methodology:
- (i) where sub-paragraph 6 (c)(iv) in Part 2 of this Special Condition applies, before the day (if any) specified in the direction made pursuant to that sub-paragraph;
  - (ii) where there is no such direction, or no date is specified in such direction, until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph 6(c)(iii) in of this Special Condition; or
  - (iii) if within the period referred to in sub-paragraph 6(d)(ii) of this Special Condition the Authority directs the licensee not to make the revision.

7. (a) The licensee shall as soon as practicable after the end of each formula year prepare 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 5 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 complied with the statement prepared pursuant to paragraph 5 of this Special Condition.
8. (a) The licensee shall if so directed by the Authority but in any event at least once a year review the statement prepared pursuant to paragraph 5 of this Special Condition in consultation with shippers[, Offtake Connected persons] and other interested persons likely to be affected thereby and allow them a period of not less than 28 days in which to make representations.  
  
(b) Within 7 days of the close of the consultation referred to in paragraph 8(a) of this Special Condition, the licensee shall send to the Authority:
  - (i) a report on the outcome of the review;
  - (ii) any revision to the statement proposed (having regard to the outcome of the review) by the licensee in order to ensure that the statement remains consistent with the licensee's duties under the Act and the standard conditions, amended standard conditions, Standard Special Conditions and Special Conditions; and
  - (iii) any written representations or objections from shippers[, Offtake Connected persons] and other interested parties, including proposals for revision not accepted by the licensee, arising during the consultation and subsequently maintained.

(c) The licensee may revise the statement only in accordance with any revision within sub-paragraph 8(b)(ii) of this Special Condition, and only if the Authority consents to such revision.

9. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 5 of this Special Condition.

10. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 3, 4, 5, 6, 7 and 8 of this Special Condition and of all revisions to any such statements and reports.

11. The licensee shall:

(a) publish by such date (and in such manner) as the Authority may approve the statements prepared pursuant to paragraphs 3, 5 and 6 of this Special Condition and each revision thereof; and

(b) send a copy of each statement and report prepared pursuant to paragraphs 3, 4, 5, 6, 7 and 8 of this Special Condition or the latest revision of any such statement and report to any person who requests the same, provided that the licensee shall exclude therefrom, 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,

and, for the purposes of paragraph 11(b) of this Special Condition, the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

12. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 11(b) of this Special Condition of an amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this Special Condition.

13. The licensee shall, unless the Authority otherwise consents, maintain for a period of seven years:

- (a) particulars of all system management services offered to it;
- (b) particulars of all contracts for system management services which it entered into;
- (c) records of all system management services called for and provided; and
- (d) records of quantities of gas transported through the NTS.

14. The licensee shall provide to the Authority such information as the Authority shall request concerning the procurement and use of system management services.

15. In this Special Condition:

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| appropriate auditors           | Means any auditors for the time being holding office in accordance with the requirements of the Companies Act 1985;   |
| balancing trade                | Means an eligible balancing action (having the meaning given to that term in the licensee's Network Code);  |
| capacity rights                | Means rights allocated in accordance with the licensee's Network Code to input up to a given volume of gas to the NTS or off-take up to a given volume of gas from the NTS;                                     |
| constraint management services | Means services in relation to the management of capacity rights;  |
| Derivative                     | shall have the meaning given to it in the Glossary to the Handbook of Rules and Guidance issued by the Financial Services Authority pursuant to the Financial Services and Markets Act 2000 as at 1 April 2002; |

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| NTS  | Means the licensee's national transmission system (having the meaning given to that term in the licensee's Network Code);   |
| relevant system management services                    | Means system management services other than: <ul style="list-style-type: none"> <li>(a) those which the licensee has acquired through a balancing trade, provided that such balancing trade was not made pursuant to any prior agreement;</li> <li>(b) those which the Authority directs the licensee not to treat as relevant system management services;</li> </ul>   |
| system management services                             | Means services in relation to the balancing of gas inputs to and gas off takes from the NTS and includes balancing trades and balancing trade derivatives and constraint management services; and   |
| system management services adjustment data methodology | Means a methodology to be used by the licensee to determine what costs and volumes of relevant system management services are to be taken into account under the licensee's Network Code for the purposes of determining in whole or in part the charges in any period, which methodology shall cover each of the kinds of system management services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established. |

