

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

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 storage arrangements” 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” means the activities of the licensee connected with the development, administration, maintenance and operation of

(a) the Transportation System and with the Supply of Transportation Services; and

(b) the LNG Storage Facilities and with the Supply of LNG Storage Services,

but excluding the Metering Business and the Meter Reading Business;”

““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 pipeline 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 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”.