

**GAS ACT 1986**

**SECTION 7**

**GAS TRANSPORTER LICENCE**

**FOR**

**TRANSCO PLC**

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## **PART I. TERMS OF THE LICENCE**

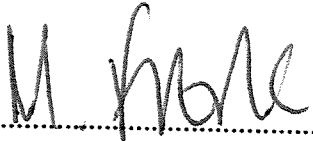
1. This licence, granted under section 7 of the Gas Act 1986 (“the Act”) authorises Transco plc (a company registered in England and Wales under number 2006000) (formerly named British Gas plc) (“the licensee”) whose registered office is situated at 1-3 Strand, London, WC2N 5EH, to convey gas through pipes to any premises in the specified area in Schedule 1 and to convey gas through pipes to any pipe-line system operated by another gas transporter during the period specified in paragraph 3 below, subject to –
  - (a) the standard conditions of gas transporters’ licences referred to in -
    - (i) paragraph 1 of Part II below, which shall have effect in the licence; and
    - (ii) paragraph 2 of Part II below, which shall only have effect in the licence if brought into effect in accordance with standard condition 2, andsubject in each case to such amendments to those conditions, if any, as are set out in Part III below (together “the conditions”);
  - (b) the special conditions (including for the avoidance of doubt the standard special conditions, if any, set out in Part IV below (“the special conditions”); and
  - (c) such Schedules, hereto, if any, as may be referenced in the conditions, the special conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act or with its terms, the special conditions or the conditions.
3. This licence, unless revoked in accordance with Schedule 2, shall continue until determined by not less than 10 years’ notice in writing given by the Authority to the licensee, such notice not to be served earlier than 22<sup>nd</sup> August 2011.
4. The provisions of section 46(1) of the Act (service of notices, etc.) shall have effect as if set out herein and as if for the words “this Part or regulations made under this Part”, there were substituted the words “this licence”.
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence –
  - (a) the enactment has been replaced or supplemented by another enactment, and,
  - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,

shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

7. Pursuant to paragraph 5 of standard condition 2 (Application of Section C (Transportation Services Obligations)) of Gas Transporter Licence the "transportation services area" is specified in Schedule 3 hereto.

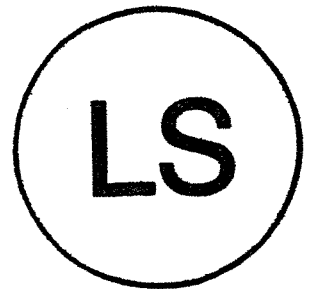
**The Official Seal of the Gas and  
Electricity Markets Authority**

**hereunto affixed is authenticated by:-**



.....  
**Maxine Frerk**

**Authorised in that behalf by the  
Gas and Electricity Markets Authority**



**5 November 2004**

**PART II. THE STANDARD CONDITIONS**

**LIST OF CONDITIONS APPLICABLE TO THIS LICENCE**

**1. Standard conditions in effect in this licence**

<b>Section A</b>	<b>Section B</b>	<b>Section C</b>
Standard condition 1	Standard condition 4	Standard condition 32
Standard condition 2	Standard condition 4A	Standard condition 33
Standard condition 3	Standard condition 4B	Standard condition 38
	Standard condition 4C	Standard condition 39
	Standard condition 4D	Standard condition 40
	Standard condition 4E	Standard condition 41
	Standard condition 5	Standard condition 45
	Standard condition 5A	Standard condition 47
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	Standard condition 30A	
	Standard condition 31	

**2. Standard conditions not in effect in this licence**

<b>Section C</b>
Standard condition 43
Standard condition 44
Standard condition 46

Note:

The above lists are correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. For convenience only, the standard conditions listed above which are in effect in this licence have been incorporated into this document.

A copy of the current standard conditions of gas transporters' licences can be inspected at the principal office of the Authority.

The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

## **PART III. AMENDED STANDARD CONDITIONS**

Note – For convenience only, all standard conditions which are in effect in this licence as at the date of this licence have been incorporated into this Part III. For Amended Standard Conditions there is substituted text. The additions to the existing standard conditions are shown emboldened and italicised.

### **SECTION A. INTERPRETATION, APPLICATION AND PAYMENTS**

#### **Amended Standard Condition 1. Definitions and Interpretation**

1. In these standard conditions, unless the context otherwise requires -

“the Act”

means the Gas Act 1986;

“affiliate”

- (a) *in relation to an undertaking within the meaning of section 259 of the Companies Act 1985 (“the principal undertaking”), a parent or subsidiary undertaking of the principal undertaking or a subsidiary undertaking of a parent undertaking of the principal undertaking, in each case within the meaning of section 258 of that Act;*
- (b) *in relation to any person (including such an undertaking), a connected person of that person within the meaning of section 286 of the Taxation of Chargeable Gains Act 1992;*

“alternative accounting rules”	for the purposes of standard condition 30 (Regulatory Accounts) only, has the meaning given in that condition;
“amount”	in relation to gas, means the energy content thereof expressed in kilowatt hours;
“appropriate period”	for the purposes of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) only, has the meaning given in that condition;
“area office”	for the purposes of standard condition 4B (Connection Charges etc) only, has the meaning given in that condition;
“auditors”	means the licensee’s auditors for the time being holding office in accordance with the requirements of the Companies Act 1985;
“the Authority”	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000;
“balancing”	in relation to a pipe-line system of the licensee and in relation to each day,

means the taking of such measures as may be available to the licensee, in particular, measures affecting the relationship between deliveries of gas to and offtakes of gas from the pipe-line system on the day in question, to maintain pressures within the pipe-line system at levels which will not, in its reasonable opinion, prejudice the interests of safety or efficiency on that day or on subsequent days;

“charging methodology”

for the purposes of standard condition 4A (Obligations as Regard Charging Methodology) only, has the meaning given in that condition;

“chronically sick person”

means any person who, by reason of chronic sickness, has special needs in connection with gas supplied to him, its use or the use of gas appliances or other gas fittings;

“code modification rules”

for the purposes of standard condition 9 (Network Code) only, has the meaning given in that condition;

“code relevant objectives”

for the purposes of standard condition 9 (Network Code) only, has the meaning given in that condition;

“competition in relation to the storage of gas”

means, as respects a particular category of storage facility, effective competition in or to the storage service offered by the facility, 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);

***“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);***

“Compliance Officer”

for the purposes of Section C only, has the meaning given in standard condition 40 (Appointment of Compliance Officer);

“consolidated transportation business”

for the purposes of standard condition 30 (Regulatory Accounts) only, has the meaning given in that condition;

“Consumer Council”	means the Gas and Electricity Consumer Council established under section 2 of the Utilities Act 2000;
“ <i>corporate debt</i> ”	<i>for the purposes of Special Condition 4 only, has the meaning given in that condition;</i>
“the court”	means, in relation to England and Wales, the High Court and, in relation to Scotland, the Court of Session;
“covenantor”	for the purposes of <i>amended standard condition 45 (Undertaking from Ultimate Controller)</i> only, has the meaning given in that condition;
“cross-default obligation”	for the purposes of standard condition 47 (Indebtedness) only, has the meaning given in that condition;
“current cost assets”	for the purposes of standard condition 30 (Regulatory Accounts) only, has the meaning given in that condition;
“customer”	means any person supplied or requiring to be supplied with gas at any premises by a gas supplier;

“de-minimis business”	for the purposes of <i>Special Condition 2</i> (Restriction on Activity and Financial Ring-fencing) only, has the meaning given in that condition;
“designated area”	for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges) only, has the meaning given in that condition;
“Designated Registrar of Pipes”	means the person designated by the Authority to fulfil that role pursuant to standard condition 33 (Designated Registrar of Pipes);
“disabled person”	means any person who, by reason of any disability, has special needs in connection with gas supplied to him, its use or the use of gas appliances or other gas fittings and includes any person who is in receipt of a social security benefit by reason of any disability;
“disposal”	has the meaning given in standard condition 29 (Disposal of Assets);
“domestic customer”	means a person supplied or requiring to be supplied with gas at domestic premises (but excluding such a person in so far as he is supplied or requires to be

supplied at premises other than domestic premises);

“domestic premises”

means –

- (a) until 1 January 2002 or, where the Authority directs for the purposes of this condition generally, in relation to premises specified or described in the direction, such later date specified in the direction, premises at which a supply is taken at a rate which is reasonably expected not to exceed 73,200 kilowatt hours a year;
- (b) from 1 January 2002 or, where the Authority directs for the purposes of this condition generally, in relation to premises specified or described in the direction, such later date specified in the direction, premises at which a supply is taken wholly or mainly for domestic purposes;



“effective date”	for the purposes of Section B only, has the meaning given in standard condition 4B (Connection Charges etc);
“estimated costs”	for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition;
<b>“financial year”</b>	<b><i>means, subject to Standard Condition 30A (Change of Financial Year), a period of twelve months beginning on 1<sup>st</sup> April of each year, and ending on 31<sup>st</sup> March of the following calendar year, except that, in respect of the calendar year commencing on 1<sup>st</sup> January 2001, it shall mean the period of fifteen months, beginning on 1<sup>st</sup> January 2001 and ending on 31<sup>st</sup> March 2002.</i></b>
“first supplier”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“gas”	in relation to storage, includes gas in a liquid state and “storage”, in relation to gas in either a gaseous or liquid state, means storage in, or in a facility which is connected (directly or indirectly) to, a pipe-line system operated by the licensee and cognate expressions shall be construed accordingly;

“the handbook”	for the purposes of standard condition 30 (Regulatory Accounts) only, has the meaning given in that condition;
“high pressure pipe-line”	means any pipe-line which has a design operating pressure exceeding 7 bar gauge;
“holding company”	means a holding company within the meaning of sections 736, 736A and 736B of the Companies Act 1985;
“indebtedness”	for the purposes of standard condition 47 (Indebtedness) only, has the meaning given in that condition;
“independent system”	means a pipe-line system of the licensee in Great Britain which includes relevant mains and which is not connected (directly or indirectly) by pipes to the main pipe-line system of Transco plc, acting as a gas transporter;
“industry framework document”	for the purposes of standard condition 13 (Change Co-ordination for the Utilities Act 2000) only, has the meaning given in that condition;

“information”	shall include any documents, accounts, estimates, returns, records or reports and data in written, verbal or electronic form and information in any form or medium whatsoever (whether or not prepared specifically at the request of the Authority or the Consumer Council) or of any description specified by the Authority;
“information covenantor”	for the purposes of standard condition 24 (Provision of Information to the Authority) only, has the meaning given in that condition;
“investment”	for the purposes of Section C only, has the meaning given in Special Condition 2 (Restriction on Activity and Financial Ring-fencing);
“investment grade issuer credit rating”	for the purposes of Section C only, has the meaning given in Special Condition 4 (Credit Rating of Licensee);
“last resort supplier”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“licensee’s pipe-line system”	means a gas pipe-line system operated by the licensee (acting as a gas

transporter) and cognate expressions shall be construed accordingly;

**“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,*

“Main Administration Service”	for the purposes of standard condition 33 (Designated Registrar of Pipes) 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 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</i></b>

*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);
“network emergency co-ordinator”	for the purposes of standard condition 6 (Emergency Services and Enquiry Services Obligations) only, has the meaning given in that condition;
“non-domestic customer”	means a customer of a gas supplier who is not a domestic customer;
“old arrangements”	for the purposes of standard condition 28 (Termination of Shipping Arrangements) only, has the meaning given in that condition;
“owned”	in relation to a gas meter or other property, includes leased and cognate expressions shall be construed accordingly;
“participating interest”	has the meaning given by section 260 of the Companies Act 1985 as amended by section 22 of the Companies Act 1989;

“permitted purpose”	for the purposes of Section C only, has the meaning given in standard condition 32 (Interpretation of Section C);
“person concerned”	for the purposes of standard condition 4B (Connection Charges etc) only, has the meaning given in that condition;
“premises concerned”	for the purposes of standard condition 4B (Connection Charges etc) only, has the meaning given in that condition;
“primary sub-deduct premises”	means premises to which gas is conveyed by a gas transporter before being conveyed to secondary sub-deduct premises;
“quantity” and “volume”	in relation to gas, are synonymous;
“regulatory accounts”	for the purposes of standard condition 30 (Regulatory Accounts) only, has the meaning given in that condition;
“related undertaking”	in relation to any person means any undertaking in which such person has a participating interest;
“relevant customer”	for the purposes of standard condition 6 (Emergency Services and Enquiry

	Service Obligations) only, has the meaning given in that condition;
“relevant methodology objective”	for the purposes of standard condition 4A (Obligations as Regards Charging Methodology) only, has the meaning given in that condition;
“relevant period”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“relevant proportion”	for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition;
“relevant shipper”	means, in relation to any premises, a gas shipper which has made arrangements with the licensee in pursuance of which gas is conveyed to those premises and, in relation to any secondary sub-deduct premises, such arrangements shall be deemed to have been made where, in pursuance of arrangements made by a gas shipper, gas is taken out of the pipeline system of the licensee at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises;



“relevant supplier”

means, in relation to any premises, a gas supplier which supplies to those premises gas which is conveyed thereto (or, where the premises are secondary sub-deduct premises) by the licensee;

“relevant year”

for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition; and for the purposes of standard condition 48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition;

“Retail Price Index”

means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:

(a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances; or

(b) if there is a material change in

the basis of the index, such other index as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances.

“risk criteria”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“routing guidelines”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“secondary sub-deduct premises”	means premises to which gas is conveyed in pursuance of an exemption from section 5(1)(a) of the Act granted under section 6A thereof, for supply by a gas supplier;
“Secretary of State’s costs”	for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition.
“specified amount”	for the purposes of standard condition 7 (Provision of Information Relating to Gas Illegally Taken) only, has the

meaning given in that condition; and for the purposes of standard condition 48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition;

“statutory accounts”

means the accounts that the licensee prepares under the Companies Act 1985 (as amended by the Companies Act 1989)

“storage arrangements”

means arrangements whereby gas shippers may, from time to time and in different cases and circumstances, have gas stored in facilities (other than facilities used solely for diurnal storage or afforded by, or connected to, an independent system or facilities for the conveyance of gas which the licensee uses exclusively for the conveyance of gas to such a system) which both are operated by the person who holds this licence and were operated by that person at a time during the period of 12 months ending with 1 March 1996;

“storage asset”

for the purposes of standard condition 29 (Disposal of Assets) only, has the meaning given in that condition;

“subsidiary”	means a subsidiary within the meaning of sections 736, 736A and 736B of the Companies Act 1985;
“supplemental charge”	for the purposes of Section B only, has the meaning given in standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges);
“supplier concerned”	has the meaning given in standard condition 7 (Provision of Information Relating to Gas Illegally Taken);
“supplier’s charges”	for the purposes of standard condition 7 (Provision of Information Relating to Gas Illegally Taken) only, has the meaning given in that condition;

***“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;***

***“Supply of Transportation Services”***

***means the undertaking and performance for gain or reward of –***

***(a) engagements in connection with the conveyance of gas through the Transportation System;***

***(b) engagements for the prevention of the escape of gas which has been taken off the Transportation System***

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

***“Supply Point Information Service”***

***for the purposes of standard condition 31 (Supply Point Information Service) only, has the meaning given in that condition;***

“trading business”	for the purposes of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business ) only, has the meaning given in that condition;
<b>“Transco Business”</b>	<i>means business carried on by the licensee for a purpose within subparagraphs (a), (b), (c), and (d) of the definition of “permitted purpose”;</i>
“Transco plc”	means the company (registered in England and Wales under company registration no. 02006000) which had that name on 1 October 2001 whether or not it previously had a different name and that name is subsequently changed;
“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 condition 4 (Charging Gas Shippers – General), paragraph 11 of standard condition 4A (Obligations as Regard Charging Methodology), paragraphs 2 and 4 of standard condition 4E (Requirement to Enter into Transportation Arrangements in conformity with Network Code), and paragraph 6 of standard condition 25 (Long Term Development Statement) but excepting arrangements relating to services supplied pursuant to Special Condition 23 (Provision of metering and meter reading services);

“transportation asset”

for the purposes of standard condition 29 (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 condition 4A (Obligations as Regards Charging Methodology), paragraph 2 of standard condition 4D (Conduct of Transportation Business) and paragraph 9 of standard condition 24 (Provision of Information to the Authority);

***“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;***



“transportation services area”	has the meaning given at sub-paragraph 5(b) of standard condition 2 (Application of Section C (Transportation Services Obligations));
“Transportation Services Direction”	for the purposes of standard condition 2 (Application of Section C (Transportation Services Obligations)) only, has the meaning given in that condition;
<b><i>“Transportation System”</i></b>	<b><i>means the facilities which are used by the licensee for the conveyance of gas within Great Britain;</i></b>
“unadjusted amount”	for the purposes of standard condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) only, has the meaning given in that condition;
“ultimate controller”	<p>means –</p> <ul style="list-style-type: none"> <li data-bbox="861 1680 1414 1892">(a) a holding company of the licensee which is not itself a subsidiary of another company; and</li> <li data-bbox="861 1915 1414 2067">(b) any person who (whether alone or with a person or persons connected with him) is in a</li> </ul>

position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of:

- (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or
- (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary,

but excluding any director or employee of a corporate body in his capacity as such; and

- (c) for the purposes of subparagraph (b), a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph.

“undertaking”

has the meaning given by section 259 of the Companies Act 1985;

“value” has the meaning given in standard condition 7 (Provision of Information Relating to Gas Illegally Taken);

“year” for the purposes of standard condition 16 (Pipe-Line System Security Standards) only, means a period of 12 months beginning with 1<sup>st</sup> October; and for the purposes of standard condition 48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition.

2. In these standard 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 conditions.
4. Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or Schedule is a reference to the standard 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 condition or Schedule in which the reference occurs, and reference to a Section is a reference to that Section in these standard conditions.

5. These standard 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 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 conditions to -
  - (a) a provision thereof;
  - (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 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 other standard conditions in question as modified.
8. In construing these standard conditions, the heading or title of any standard condition or paragraph shall be disregarded.
9. Any reference in a standard 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. Where any obligation of the licence is required to be performed by a specified date or time, or within a specified period, and where the licensee has failed so to perform,

such obligation shall continue to be binding and enforceable after the specified date or time, or after the expiry of the specified period (but without prejudice to all the rights and remedies available against the licensee by reason of the licensee's failure to perform by that date or time, or within that period).

11. Anything required by or under these standard 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 Sections A and B (which Sections are incorporated in all transporter licences). Where -
  - (a) any definition is not used in Sections A and B, that definition shall, for the purposes of this licence, be treated -
    - (i) as part of the standard condition or conditions (and the Section) in which it is used;
    - (ii) as not having effect in the licence until such time as the standard condition in which the definition is used has effect within the licence in pursuance of standard condition 2 (Application of Section C (Transportation Services Obligations));
  - (b) any definition which is used in Sections A and B 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 conditions in which it is used; and
  
- (ii) if any such standard condition is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.

## **Standard Condition 2. Application of Section C (Transportation Services Obligations)**

1. Where the Secretary of State provides, by a scheme made under Schedule 7 to the Utilities Act 2000, for Section C (in whole or in part) to have effect within this licence:

- (a) paragraphs 4 to 8 shall cease to be suspended and shall have effect in the licensee's licence; and
- (b) the licensee shall be obliged to comply with the requirements of Section C (in whole or, as the case may be, in part) of this licence,

from the date the said scheme takes effect. Such provision made by the Secretary of State in the said scheme shall be treated, for the purposes of paragraphs 5, 6, and 7 of this condition, as if it were a Transportation Services Direction made by the Authority.

2. Until -

- (a) the Secretary of State provides, by a scheme made under Schedule 7 to the Utilities Act 2000, for Section C (in whole or in part) to have effect within this licence; or
- (b) the Authority has issued to the licensee a direction pursuant to paragraph 4,

the standard conditions in Section C (in whole or, as the case may be, in part) shall not have effect within this licence; and the licensee shall not be obliged to comply with any of the requirements of Section C (in whole or, as the case may be, in part) of this licence.

3. Except where paragraph 1 applies to the licensee, paragraphs 4 to 8 of this standard condition shall be suspended and shall have no effect in this licence until such time as the Authority, with the consent of the licensee, issues to the licensee a notice in writing ending the suspension and providing for those paragraphs to have effect in this licence with effect from the date specified in the notice.
4. The Authority may, with the consent of the licensee, issue a direction (a “Transportation Services Direction”). Where the Authority has issued to the licensee a Transportation Services Direction the standard conditions in Section C (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 Section C (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
5. A Transportation Services Direction:
  - (a) may specify that the standard conditions in Section C (in whole or in part) are to have effect in this licence;
  - (b) shall specify or describe an area (the “transportation services area”) within which the licensee shall be obliged to comply with any of the requirements of Section C (in whole or, as the case may be, in part);
6. The Authority may, with the consent of the licensee:
  - (a) vary the terms (as set out in the Transportation Services Direction or elsewhere) under which Section C (or parts thereof) has effect in this licence;  
or
  - (b) provide for Section C (or parts thereof) to cease to have effect in this licence.
7. The variation or cessation provided for in paragraph 6 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority.



8. With effect from the date of cessation referred to in paragraph 7, paragraphs 4 to 7 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter, with the consent of the licensee, give to the licensee a notice ending the suspension and providing for those paragraphs to have effect again in this licence with effect from the date specified in the notice.

### **Standard Condition 3. Payments by the Licensee to the Authority**

This condition is currently subject to a separate consultation which is being conducted jointly by the DTI and Ofgem. The proposed text will be issued shortly.

1. The licensee shall, at the times stated, pay to the authority such amounts as are determined by or under this condition.
2. In respect of each relevant year at the beginning of which the licensee holds this licence, the licensee shall pay to the Authority the aggregate of:
  - (a) an amount which is the relevant proportion of the estimated costs of the Authority during the year in question;
  - (b) an amount which is the relevant proportion of the estimated costs of the Consumer Council during the year in question;
  - (c) an amount which is the relevant proportion of the estimated costs incurred in the previous relevant year by the Competition Commission in connection with references made to it with respect to the licence or any other gas transporter licence;
  - (d) an amount which is the relevant proportion of the Secretary of State's costs during the year in question;
  - (e) an amount which is the relevant proportion of the difference (being a positive or negative amount), if any, between:
    - (aa) any costs estimated by the Authority or, in the case of sub-paragraph 2(d), the Secretary of State in the previous relevant year under sub-paragraphs 2(a), (b), (c), and (d); and

- (bb) the actual costs of the Authority, the Consumer Council, the Competition Commission (in connection with that reference) and the Secretary of State for the previous relevant year or, in the case of the Competition Commission, for the relevant year prior to the previous relevant year; and
  - (f) in respect of the relevant year ending on 31 March 2002, an amount which is the relevant proportion of the actual unrecovered costs of the Director General of Electricity Supply and the Relevant Consumers' Committees.
- 3. The amounts determined in accordance with paragraph 2 shall be paid by the licensee to the Authority in two instalments, with:
  - (a) the first instalment being due for payment by 30 June in each year; and
  - (b) the second instalment being due for payment by 31 January in each year

provided that, in each case, if the Authority has not given notice of the amount of the instalment due at least 30 days before the payment date stated above, the licensee shall pay the amount due within 30 days from the actual giving of notice by the Authority to the licensee (whenever notice is given).
- 4. Where the licensee fails to pay the amount determined in accordance with paragraph 2 within 30 days of the due date set out in paragraph 3, it shall pay simple interest on the amount at the rate which is from time to time equivalent to the base rate of NatWest Bank plc or, if there is no such base rate, such base rate as the Authority may designate for the purposes hereof.
- 5. In relation to any data or information specified by the Authority in a direction given for the purposes of this condition generally, the licensee shall submit a certificate 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 to the Authority each year on the date specified by the Authority. Each certificate shall be in the following form –

“In the opinion of the directors of [the licensee], all data and information provided to the Authority on [date provided to the Authority] for the purposes of enabling the Authority to calculate the licence fee payable by [the licensee] pursuant to standard condition 3 (Payments by the Licensee to the Authority) is accurate.”

6. In this condition:

“estimated costs” means costs estimated by the Authority as likely to be:

- (a) the costs of the Authority and the Consumer Council; and
- (b) the costs incurred by the Competition Commission, such estimate having regard to the views of the Competition Commission.

“relevant proportion” means the proportion of the costs attributable to the licensee in accordance with principles determined by the Authority for the purposes of this condition generally and notified to the licensee.

“relevant year” means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

“Secretary of State’s costs” means costs estimated by the Secretary of State as likely to be his costs in relation to:

- (a) the establishment of the Authority and the Consumer Council; and
- (b) Schedule 7 to the Utilities Act 2000.

7. In sub-paragraph 2(f) of this condition:

“Director General of Gas Supply” means the office previously established under section 1 of the Act;

“Gas Consumers’ Council” means the body previously established by the Director General of Gas Supply under section 2 of that Act

## SECTION B. GENERAL

### Amended Standard Condition 4. Charging Gas Shippers – General

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 *amended* standard condition 4A (Obligations as Regards Charging Methodology).

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.

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 conditions 4A (Obligations as Regards Charging Methodology) and 4B (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 *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 *amended* standard condition 1 (Definitions and Interpretation) shall cease to have effect.
11. In this condition “transportation arrangements” shall have the meaning given in amended standard condition 1 save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-line system or any part thereof”.

#### **Amended Standard Condition 4A. Obligations as Regard Charging Methodology**

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 condition 4 (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 condition 4 (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” 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 condition 1 (Definitions and Interpretation ) shall cease to have effect.



#### **Standard Condition 4B. Connection Charges etc**

1. Subject to paragraph 2, where any pipe is supplied and laid by the licensee in discharge of the duty imposed by section 10(2)(a) of the Act, for the purpose of connecting premises (“the premises concerned”) to a relevant main, the licensee may charge the person requiring the connection (“the person concerned”) in respect of the cost of supplying and laying the pipe-  
  
provided that in a case in which the supply of gas is to domestic premises, the licensee shall only so charge in respect of the cost of supplying and laying the pipe insofar as it is attributable to the supplying and laying of -
  - (a) so much of the pipe as is laid upon property owned or occupied by the person concerned, not being property dedicated to public use; and
  - (b) so much of the pipe as is laid for a greater distance from a relevant main than 10 metres, although not on such property as is mentioned in sub-paragraph (a).
  
2. Paragraph 1 shall have effect as if the proviso thereto were omitted where -
  - (a) the person concerned may be required in pursuance of regulations made, or having effect as if made, under section 10(7) of the Act to make a payment in respect of the expenses of the main used for the purpose of making the connection; or
  - (b) the premises concerned are in an area designated for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges) and the charges to be made of a gas shipper by the licensee in respect of the conveyance of gas to those premises would include a supplemental charge.
  
3. The licensee shall comply with any directions given by the Authority to furnish it with a statement showing the methods by which, and the principles on which, (consistently with its duties under section 9 of the Act) -
  - (a) where a connection is required in pursuance of subsection (2) of section 10 of the Act, charges in respect of the cost of connecting, supplying and laying a pipe or the expenses of the laying of a main are normally to be determined in different cases or circumstances;



- (b) where a connection is required in a case not falling within subsection (1)(a) or (b) of the said section 10 and the premises are not likely to be supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10 (subject to section 8A(1) of the Act, 2,196,000 kilowatt hours in any period of 12 months), the charges to be made for the connection, including charges for supplying and laying a pipe are to be determined;
  - (c) where a connection or disconnection is required in the case of any premises likely to be, or which have been, supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10, the charges to be made for the connection or disconnection including, so far as appropriate, charges for supplying or laying a pipe or main and charges in respect of anything done or provided in connection with the connection or disconnection in different cases or circumstances are to be determined; and
  - (d) without prejudice to sub-paragraph (a), in the circumstances mentioned in subsection (10) of the said section 10 (read with any regulations under subsection (11) thereof), charges under the said subsection (10) are normally to be determined in different cases and circumstances.
4. Where, having furnished a statement under paragraph 3, the licensee (subject to paragraph 7) changes the methods and principles referred to in paragraph 3, the licensee shall as soon as is reasonably practicable furnish the Authority with a revised statement showing the changed methods and principles; and such a revised statement shall supersede previous statements furnished under either paragraph 3 or this paragraph with effect from such date as is specified therein (“the effective date”).
5. A statement furnished under paragraph 3 or 4 shall, where practicable, include examples of the charges likely to be made in different classes of case as determined in accordance with the methods and principles shown in the statement.

6. The licensee shall -
  - (a) publish any statement furnished under paragraph 3 or 4 in such manner as will secure adequate publicity for it and, in the case of a statement furnished under 4, shall so publish it before the effective date thereof;
  - (b) publish with any such statement so published a further statement that any complaint in respect of a charge to which the statement relates, if not resolved between the licensee and the complainant, may be referred to the Authority by letter addressed to the Authority at an address specified in the further statement; and
  - (c) send a copy of any such statement and further statement so published to any person who asks for one.
  
7. Where a statement in respect of the determination of such charges as are mentioned in paragraph 3 has been furnished to the Authority under paragraph 3 or 4 then, unless and until it has been superseded by a subsequent statement under paragraph 4, the licensee shall not make such a charge, or agree or offer to make such a charge, as is so mentioned other than one determined in accordance with the methods and principles shown therein, unless the Authority otherwise consents.
  
8. The licensee shall establish, and keep up to date, a register (or separate registers for different areas) of pipes which have vested in it and become its property by virtue of section 10(6) of the Act and fall within section 10(13)(b) but have not been declared relevant mains under section 10(13) thereof; and an entry in the register in respect of a particular pipe-
  - (a) shall contain sufficient particulars to enable the pipe to be identified;
  - (b) shall be made within 28 days of the pipe vesting in, and becoming the property of, the licensee; but
  - (c) shall be deleted, as soon as is reasonably practicable, if the pipe in question is subsequently declared a relevant main under the said section 10(13).

9. The licensee shall make arrangements for a copy of the said register (or of the information contained therein) to be available for inspection at reasonable times, if it has area offices, at those offices or, if it has not, at its principal office; and, for the purposes hereof, “area office” means one which is fixed for an area for the purposes of section 46(3) of the Act.
10. The licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the licensee’s pipe-line system.
11. The licensee shall comply with any direction given by the Authority to furnish it with a statement showing, so far as is reasonably practicable, the methods by which and the principles on which the following charges are to be determined, namely -
  - (a) charges for making a connection to a pipe comprised in its pipe-line system to enable gas to be introduced into, or taken out of, that system; and
  - (b) charges for works associated with the making of such a connection including, in particular, works to increase the capacity of a high pressure pipe-line and by way of the supply and installation of a pipe-line.
12. Where, having furnished a statement under paragraph 11, the licensee (subject to paragraph 14) changes the methods and principles referred to in that paragraph, the licensee shall as soon as is reasonably practicable furnish the Authority with a revised statement showing the changed methods and principles; and such a statement shall supersede previous statements furnished under either paragraph 11 or this paragraph with effect from such date as is specified therein (“the effective date”).
13. A statement furnished under paragraph 11 or 12 shall, where practicable, include examples of the charges likely to be made in respect of different kinds of works falling within paragraph 11, other than works connected with a high pressure pipe-line.

14. The licensee shall -
  - (a) publish any statement furnished under paragraph 11 or 12 in such manner as will secure adequate publicity for it and, in the case of a statement furnished under paragraph 12, shall so publish it before the effective date thereof; and
  - (b) send a copy of any such statement so published to any person who asks for one.
  
15. Where a statement in respect of the determination of charges in respect of a matter has been furnished to the Authority under paragraph 11 or 12 then, unless and until it has been superseded by a subsequent statement under paragraph 12, the licensee shall not make a charge, or agree or offer to make a charge, other than one determined either in accordance with the methods and principles shown therein or in accordance with methods and principles not inconsistent with those so shown unless the Authority otherwise consents.
  
16. References in this condition to charges -
  - (a) include references to the means whereby charges may be ascertained; and
  - (b) exclude references to supplemental charges within the meaning of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges).
  
17. In this condition, any reference to the making of a charge -
  - (a) in relation to the supplying or laying of a pipe in pursuance of section 10(2)(a) of the Act, is a reference to requiring that the person requiring the connection defrays the whole or a part of the cost thereof;
  - (b) in relation to the laying of a main used for the purpose of making a connection and in the circumstances mentioned in section 10(7) of the Act, is a reference to requiring, in pursuance of regulations under that provision, that the person requiring the connection pays an amount in respect of the expenses of the laying of the main; and

(c) in the circumstances mentioned in subsection (10) of section 10 of the Act (read with any regulations under subsection (11) thereof), is a reference to requiring the person requiring a connection to be made or maintained in pursuance of subsection (2) or (3) of the said section 10 to make such payments as are mentioned in the said subsection (10),

and cognate expressions shall be construed accordingly.

**Standard Condition 4C. Charging of Gas Shippers – Supplemental Connection Charges**

1. This condition shall apply in relation to an area designated for the purposes hereof by the Authority on the application of the licensee (“a designated area”) as one in the case of which -
  - (a) it appears to the Authority that gas has not previously, or has not within the previous 3 years, been conveyed through pipes to any premises therein other than ones which had been supplied with gas at a rate in excess of 2,196,000 kilowatt hours a year; and
  - (b) it appears to the Authority that, taking into account both any existing premises and probable developments in the area, it is likely that the area will contain premises of which more than a half will not be within 23 metres of a relevant main, whether of the licensee or of any other gas transporter, which was in existence before the designation of the area.
2. The designation of an area shall subsist only for the period specified in the designation on the application of the licensee unless, before the expiry of that period, it is extended by the Authority on such an application.
3. This condition shall apply if, and only if
  - (a) the charges to be made of gas shippers by the licensee in pursuance of transportation arrangements include an element referable in whole or in part to the laying of pipes for the purpose of conveying gas to premises in a designated area and any such element is hereinafter referred to as a “supplemental charge”; and
  - (b) the application by the licensee for a designated area pursuant to paragraph 1 has been received by the Authority no later than 31 December 2003.

4. The licensee -
  - (a) shall, in the case of each designated area, establish a methodology which has been accepted by the Authority (whether before or after the area becoming designated) setting out the provisions in accordance with which supplemental charges are to be determined, so, however, that, if and to the extent that the methodology so provides, it may be changed from time to time subject to the acceptance by the Authority of the changed methodology; and
  - (b) shall ensure that each supplemental charge made conforms to the methodology as in force immediately before the charge fell due.
  
5. The licensee shall, in the case of each designated area, prepare a statement of the methodology, or changed methodology, from time to time established under paragraph 4, and shall-
  - (a) publish, in such manner as will secure adequate publicity for it, either the statement or a summary thereof which the licensee is satisfied is sufficient to meet the reasonable interests of gas shippers and gas suppliers in the statement; and
  - (b) send a copy of any such statement or summary so published to anyone who asks for one.
  
6. If and so long as the charges made by the licensee for the conveyance of gas to premises in a designated area include supplemental charges, the licensee shall prepare and keep up to date a statement in respect of that area which shall specify the period for which supplemental charges will be made, the current amount thereof or the means whereby that amount may be ascertained and the circumstances in which they will be made, and shall -
  - (a) publish that statement at appropriate intervals, in such manner as will secure adequate publicity for it; and
  - (b) send a copy of any statement so published to anyone who asks for one.

7. In any other standard condition of this licence which limits, or has the effect of limiting, the charges which may be made in pursuance of transportation arrangements or the revenue which may be derived therefrom, references to such charges or revenue shall not include supplemental charges or revenue derived from such charges.
  
8. Where a person has applied for a licence or an extension under section 7 of the Act, any application made by that person in contemplation of the grant of that licence or extension which is conditional on such grant shall, if the licence or extension is granted, be treated, for the purposes of this condition, as an application made by the person to whom the licence or extension has been granted.
  
9. An acceptance of a methodology by the Authority for the purposes of paragraph 4 may be given subject to such standard conditions, relating to such charges as are mentioned in paragraph 3 of standard condition 4B (Connection Charges etc), as may be agreed between the Authority and the licensee.



#### **Amended Standard Condition 4D. Conduct of Transportation Business**

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) ***LNG storage arrangements, the provision of Metering Services and Meter Reading Services;*** and
  - (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 ***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 condition 1 (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.*

**Amended Standard Condition 4E. Requirement to Enter into Transportation Arrangements in Conformity with Network Code**

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 *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 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 condition 1 (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 Condition 5. System Development Obligations**

1. Within 7 days of the licensee applying to the Authority under section 7(4) of the Act for an extension to its licence, the licensee shall make available details of the extension area applied for and shall send such details to -
  - (a) the Health and Safety Executive; and
  - (b) with effect from the date designated by the Authority under paragraph 1 of standard condition 5A (Information to be provided to the Designated Registrar of Pipes), the Designated Registrar of Pipes.
  
2. The licensee shall not at any time execute any works for the construction of a high pressure pipe-line unless, not less than one year (or such shorter period as the Secretary of State may allow) before that time, it has given notice to the Health and Safety Executive:
  - (a) stating that it intends to execute the works;
  - (b) containing such particulars as are specified in, or as may from time to time be prescribed for the purposes of, section 22A (2) of the Act; and
  - (c) also containing, so far as they are not required by sub-paragraph (b) -
    - (i) the address of the licensee;
    - (ii) the address (if known) of the office from which the pipe-line, if constructed, would be operated;
    - (iii) particulars of both the normal and maximum permissible operating pressure of the proposed pipe-line; and
    - (iv) such particulars, if any, as may from time to time be designated for purposes of this paragraph in the routing guidelines,

and has sent a copy of that notice to any planning authority through whose area the pipe-line is intended to run.

3. If after a notice under paragraph 2 has been given, the execution of the works to which the notice relates has not substantially begun at the expiration of three years from the date on which it was given or at the expiration of any extension of that period given by the Secretary of State, the notice shall cease to have effect for the purposes of that paragraph except in relation to such works (if any) as have already been executed.
  
4. Where the proposed routing of the pipe-line is not in accordance with the routing guidelines -
  - (a) the licensee shall so notify the Health and Safety Executive;
  - (b) the licensee shall consult the Health and Safety Executive on the proposed routing; and
  - (c) if, within the period of 3 months beginning with the day on which the Health and Safety Executive was notified in pursuance of sub-paragraph (a) (or such longer period as may be agreed in writing between the licensee and the Executive), the Executive gives written notice to the licensee that it does not agree to the proposed routing (with or without modifications acceptable to the licensee), the licensee shall (unless it decides not to proceed with the proposed works) send to the Secretary of State a copy of the notice referred to in paragraph 2;
  - (d) if within the said period, the Health and Safety Executive -
    - (i) has agreed to the proposed routing (with or without modifications acceptable to the licensee); or
    - (ii) has not given the licensee such a notice as is referred to in sub-paragraph (c), the licensee may, subject to paragraphs 4 and 6, proceed with the proposed works.
  
5. Where a planning authority who have received a copy of the notice referred to in paragraph 2, within 2 months of receiving that copy, for reasons relating to safety (having regard to the routing guidelines and the risk criteria or, in the absence of such criteria, any advice given by the Health and Safety Executive) or otherwise, notify the

licensee in writing that the proposed pipe-line would be likely to prejudice implementation of a material aspect of the planning authority's development plan -

- (a) the licensee shall consult the planning authority on the licensee's proposals;
- (b) if, within the period of 3 months beginning with the day on which the planning authority notified the licensee as aforesaid (or such longer period as may be agreed in writing between the licensee and the planning authority), the planning authority gives written notice to the licensee that it does not agree to the licensee's proposals (with or without modifications acceptable to the licensee), the licensee shall (unless it decides not to proceed with the proposed works) send to the Secretary of State a copy of the notice referred to in paragraph 2;
- (c) if, within the said period, the planning authority -
  - (i) have agreed to the licensee's proposals (with or without modifications acceptable to it); or
  - (ii) have not given the licensee such a notice as is referred to in subparagraph (b),

the licensee may, subject to paragraphs 4 and 6, proceed with the proposed works.

6. If, within 6 months beginning with the day on which he received a copy of the notice referred to in paragraph 2, in pursuance of paragraph 4(c) or 5(b), the Secretary of State (having regard, as respects matters relating to safety, to the risk criteria or, in the absence of such criteria, any criteria as to risk formulated by the licensee and any representations made by the Health and Safety Executive in relation to the proposal) gives a direction to the licensee -

- (a) that the licensee shall not proceed with the construction of the pipe-line; or
- (b) that, if the licensee wishes to proceed with the construction of the pipe-line, the licensee shall satisfy such requirements as are specified in the direction including, in particular requirements as respects the routing of the pipe-line,

the licensee shall comply with the direction.

7. Where the connection of any premises to the licensee's pipe-line system would require the construction of a relevant main, any written quotation relating to that connection shall include a statement indicating that persons other than the licensee may be able to offer competitive quotations.
  
8. The licensee shall keep a record -
  - (a) of the individual premises and pipe-line systems -
    - (i) which are connected to the licensee's pipe-line system ; and
    - (ii) to which, during the relevant period, gas has been conveyed by means of that pipe-line system;
  - (b) of every gas shipper which has been a relevant shipper during the relevant period;
  - (c) in respect of each such premises as are referred to in sub-paragraph (a), of any information with which it has been furnished -
    - (i) as to the relevant supplier which has, from time to time during the relevant period, supplied gas to the premises in question;
    - (ii) if, from time to time during the relevant period, gas conveyed to the premises in question has been supplied thereto otherwise than by a gas supplier, as to the circumstances which made it unnecessary that the gas be supplied by a gas supplier; and
    - (iii) as to the ownership, from time to time during the relevant period, of any meter through which gas so conveyed was supplied; and
    - (iv) pursuant to standard condition 8 (Information as Respects Premises Served) of the standard conditions of gas shippers' licences or, where the licensed shipper is not only the relevant shipper but also the relevant supplier of the particular premises in question, standard condition 16 (Exchange of Information between Licensee and Relevant Transporter or Shipper for Operation, Development or Maintenance of Pipeline System and Detection and Prevention of Theft) of the standard conditions of gas suppliers' licences as to

whether the premises in question are domestic or non- domestic premises;

- (d) as to the contents of any notice given to the licensee during the relevant period under sub-paragraph (1) of paragraph 12 of Schedule 2B to the Act, and as to any information so given under sub-paragraph (3) of that paragraph or of any such notice or information which was given to a gas supplier and of which the licensee was informed during the relevant period;
- (e) as to any information with which the licensee has been provided, during the relevant period, in pursuance of arrangements made by a relevant supplier for the purposes of paragraph 3(d) 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 that supplier's licence;
- (f) as to any information given, or facts notified, to the licensee, during the relevant period, by a relevant shipper in pursuance of paragraph 3 of standard condition 11 (Supply and Return of, and Information etc Relating to, Gas Meters) of the standard conditions of gas shippers' licences as incorporated in that shipper's licence; and
- (g) as to the date of the most recent inspection of a gas meter in pursuance of standard condition 17 (Reading, Inspection and Testing of Meters) of the standard conditions of gas suppliers' licences as incorporated in a relevant supplier's licence of which the licensee has been notified during the relevant period.

9. In paragraph 8 "the relevant period" means -

- (a) the preceding 5 years, or
- (b) if the licence has been in force for less than 5 years, the period since it came into force, or



- (c) in the case of all or such of the sub-paragraphs of paragraph 8 as are specified in the consent, such shorter period to which the Authority may have consented.
  
- 10. Subject to the Authority, after having consulted the licensee, having directed for the purposes of this condition that this paragraph should have effect, either in all cases or in such cases as are specified or described in the directions and subject to such limitations (if any) as are so specified, where the licensee becomes aware-
  - (a) that a gas shipper has become the relevant shipper: or
  - (b) that a gas supplier has become the relevant supplier,in relation to particular premises, it shall inform that gas shipper or, where sub-paragraph (b) applies, the relevant shipper, whether or not it has information recorded in pursuance of sub-paragraphs 8(c)(iv) and 8(e) which relates to the premises in question.
  
- 11. Where a gas supplier (“the last resort supplier”) has been given a direction under standard condition 29 (Supplier of Last Resort) of the standard conditions of gas suppliers’ licences as incorporated in that supplier’s licence to supply gas to customers of another supplier, then, if the Authority has given the licensee directions in that behalf, it shall promptly provide the last resort supplier with such information recorded by the licensee in pursuance of paragraph 8 as may be specified or described in the directions.
  
- 12. At the request of a gas supplier which has previously supplied gas to particular premises (“the first supplier”) and wishes to give to the relevant supplier such a notice as is mentioned in paragraph 2 of standard condition 49(Assignment of Outstanding Charges) of the standard conditions of gas suppliers’ licences as incorporated in the relevant supplier’s licence, the licensee shall take reasonable steps to secure that the first supplier is informed of any information with which the licensee has been furnished as to the name and address of the relevant supplier.

13. For the purpose of paragraph 8(a) -
- (a) where gas conveyed by the licensee to primary sub-deduct premises is conveyed from those premises to any secondary sub-deduct premises, the secondary sub-deduct premises shall be deemed to be connected to the pipe-line system operated by the licensee, and
  - (b) where gas has, during the relevant period, been so conveyed to the secondary sub-deduct premises, it shall be deemed to have been so conveyed by means of that pipe-line system.
14. In this condition -
- the “risk criteria” means the risk based criteria, if any, which have -
- (a) been formulated and adopted by the Health and Safety Executive after consultation with the persons who hold licences under section 7(2) of the Act at the time of such adoption; and
  - (b) been designated for the purposes of this condition generally by the Secretary of State,
- or any revision of such criteria so formulated and adopted and so designated; and
- the “routing guidelines” means the guidelines designated as such by the Secretary of State after consultation with the Health and Safety Executive and the persons who hold licences under section 7(2) of the Act at the time of such designation or any revision of such guidelines so designated.
15. Without prejudice to paragraph 4 of standard condition 1 (Definitions and Interpretation), paragraphs 2 to 6 of this condition shall be interpreted and construed as if section 22A(3) and (4) of the Act applied to them.

**Standard Condition 5A. Information to be Provided to the Designated Registrar of Pipes**

1. From such date as may be designated in writing for the purposes of this condition generally by the Authority following such consultation as it considers appropriate, paragraphs 2 to 4 shall have effect.
  
2. From the date designated by the Authority under paragraph 1, the licensee shall provide the Designated Registrar of Pipes with the following data in respect of each main it operates:
  - (a) the location, route, diameter and material of the main;
  - (b) the nominal pressure range of the main;
  - (c) the date the main was laid or became a main; and
  - (d) the licensee's details (including name, address and contact details).
  
3. The licensee shall notify the Designated Registrar of Pipes within 28 days after the commissioning of any new main and of any change in respect of the data relating to a main provided under paragraph 2, including where the pipe is no longer in operation.
  
4. The licensee shall, at least 7 days before bringing a new pipe or arranging with any other person for a pipe to be brought into operation which is likely to be a main, notify the Designated Registrar of Pipes of the proposed location of the main.

## **Amended Standard Condition 6. Emergency Services and Enquiry Service Obligations**

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.

*Paragraphs 10 and 11 (Standard Conditions) removed following the introduction of Guaranteed and Overall Standards of Service (GSoS) implemented from 1 April 2002. The Guaranteed Standards were implemented by means of a Statutory Instrument issued under Section 33AA of the Gas Act (as amended) and the Overall Standards were determined by the Authority on 27 March 2002. The GSoS regime does not form part of this licence and is governed under the terms of the Gas Act (as amended).*

*Appendix A provides a summary of the standards required by Gas Transporters from 1 April 2002. For a definitive statement as to when the compensation is payable please refer to the Statutory Instrument.*

12. 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.
13. 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.

14. Paragraph 15 shall apply in relation to relevant customers (defined in paragraph 21) and the premises of relevant customers.
  
15. 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 17, 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 19 or 20.
  
16. Where the reasons of safety referred to in paragraph 15 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.
  
- 17. 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.
  
- 18. When the licensee establishes, reviews or amends any list established under paragraph 17, 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.
  
- 19. 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.

20. 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 17 shall be determined by the Secretary of State.
21. 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 18(c) of this condition.
22. 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.
23. 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 Condition 7. Provision of Information Relating to Gas Illegally Taken**

1. Where it appears that sub-paragraph (1) of paragraph 9 of Schedule 2B to the Act may apply by reason that a person has, or may have, taken a supply of gas in course of conveyance by the licensee or that sub-paragraph (2) of that paragraph may apply by reason that a person has, or may have, taken a supply of gas at any premises which has been conveyed thereto by the licensee, it shall -
  - (a) investigate the matter; and
  - (b) subject to the outcome of that investigation, use its reasonable endeavours to recover, in pursuance of the said sub-paragraph (1) or (2), the value of the gas, and, in this paragraph and paragraph 3, “value”, in relation to gas, has the same meaning as in paragraph 9 of the said Schedule 2B.
  
2. Where it appears that a person has, or may have, taken a supply of gas previously conveyed by the licensee to primary sub-deduct premises in circumstances where-
  - (a) sub-paragraph (1) of paragraph 9 of Schedule 2B to the Act might have applied but for the fact that the gas was, at the time of such taking, in the course of being conveyed to secondary sub-deduct premises; or
  - (b) sub-paragraph (2) of the said paragraph 9 might have applied but for the fact that the premises to which the gas had, at that time, been conveyed were secondary sub-deduct premises,the licensee shall -
  - (i) investigate the matter; and
  - (ii) subject to the outcome of that investigation, use reasonable endeavours to recover the amount (“the specified amount”) which, if the gas had been taken in such circumstances as are mentioned in paragraph 8(2) of Schedule 2B to the Act, could reasonably be expected to have been payable in respect of that gas under a contract deemed to have been made by virtue of that sub-paragraph.

3. Where the licensee has, as required by paragraph 1 or 2, recovered, or attempted to recover, the value of the gas taken or, as the case may be, the specified amount, then any standard condition of this licence that limits, or has the effect of limiting, the charges made in pursuance of transportation arrangements or the revenue derived therefrom which is specified in a scheme designated by the Authority for the purposes of this condition shall be modified as provided in that scheme to take account of -

- (a) the costs of any such investigation as is mentioned in paragraph 1;
- (b) any amount recovered as so mentioned;
- (c) the costs of any such recovery or attempted recovery so mentioned; and
- (d) any costs to the licensee attributable to any gas being acquired, or not being disposed of, by it by reason of the taking of the gas,

so as to secure that, as nearly as may be and taking one year with another, the licensee suffers no financial detriment, and acquires no financial benefit, as a result of the taking of the gas and its compliance with paragraph 1.

4. Paragraphs 5, 6,7 and 8 shall apply where -

- (a) an offence under paragraph 10(1) of Schedule 2B to the Act has been, or may have been, committed at any premises and, before the matter has been remedied, the owner or occupier of the premises has taken a supply of gas which has been conveyed to those premises (or, where those premises are secondary sub-deduct premises, to the relevant primary sub-deduct premises) by the licensee in pursuance of arrangements made with a gas shipper;
- (b) an offence under paragraph 11(2) of the said Schedule has been, or may have been, committed at any premises (or an offence would have been, or might have been, so committed but for the fact that the premises in question are secondary sub-deduct premises) and such a supply of gas as aforesaid has been taken by the owner or occupier of the premises without the agreement of either the licensee or of a gas supplier which cut off the supply of gas or is, or is about to become, the relevant supplier; or

(c) a supply of gas has been taken by the occupier at any premises in such circumstances as are mentioned in paragraph 8(2) of the said Schedule (or, where the premises are secondary sub-deduct premises, a supply was taken by the occupier in circumstances that would have been those mentioned in that paragraph had the gas been conveyed to the premises by the licensee) and the supplier concerned has reasonable cause to believe either that the person in question both -

(i) is not, or may not be, in lawful occupation of the premises; and

(ii) does not genuinely intend to pay charges for the gas taken,

or that the person in question has ceased to be the owner or occupier of the premises and has not informed the supplier concerned of his present address,

and, in this paragraph and paragraphs 5, 6, 7 and 8, “the supplier concerned” means the relevant supplier or, in such circumstances as are mentioned in sub-paragraph (2) of paragraph 8 of the said Schedule, the appropriate supplier within the meaning of sub-paragraph (3) of that paragraph.

5. Where this paragraph applies and -

(a) the relevant shipper has requested, or in pursuance of a contract, required the supplier concerned -

(i) to investigate the matter; and

(ii) subject to the outcome of that investigation, to use its reasonable endeavours to recover the charges to which it is entitled, whether under such a contract or deemed contract as is mentioned in paragraph 3(a) or, as the case may be, under a deemed contract arising under paragraph 8(2) of Schedule 2B to the Act or (where the premises in question are secondary sub-deduct premises) otherwise, in respect of a supply of gas taken as mentioned in paragraph 4, (“the supplier’s charges”);

(b) the supplier concerned has complied with that request or requirement but has failed, and cannot reasonably be expected, to recover those charges; and

- (c) the relevant shipper has notified the licensee that this paragraph applies and the standard conditions in sub-paragraphs (a) and (b) have been satisfied and has done so either in writing or in such other manner as the licensee may have informed the shipper is acceptable,

the licensee shall treat the amount of gas to which the supplier's charges relate as not having been taken out of its pipe-line system by the relevant shipper for the purposes of calculating and claiming charges to be paid to it by that shipper in pursuance of the arrangements between them and shall further reduce those charges by an amount equal to that of the allowance mentioned in paragraph 6; and, accordingly, only the charges so calculated and paid shall be taken into account for the purposes of any standard condition of this licence which limits the charges which may be made in pursuance of transportation arrangements or the revenue derived therefrom.

- 6. The allowance referred to in paragraph 5 is one in respect of the reasonable cost to the supplier concerned of complying with such a request or requirement as is mentioned in paragraph 5 and of an amount calculated in accordance with principles set out in a scheme designated by the Authority for the purposes of this condition.
  
- 7. For the purposes of paragraphs 5 and 6, where, in relation to the premises in question, the same person (being a gas supplier) is both the relevant shipper and the supplier concerned -
  - (a) the standard conditions in paragraph 5(a) and (b) shall be deemed to have been satisfied if that person has:
    - (i) investigated the matter;
    - (ii) subject to the outcome of that investigation, used its reasonable endeavours to recover the supplier's charges; and
    - (iii) failed and cannot reasonably be expected to recover those charges; and
  - (b) paragraph 6 shall have effect as if the reference to the reasonable cost of complying with such a request or requirement as mentioned in paragraph 5

were a reference to the reasonable cost of such investigation and reasonable endeavours as are mentioned in sub-paragraph (a).

8. For the purposes of paragraphs 5 and 7, the supplier concerned shall be presumed to have used its reasonable endeavours if it has acted in a manner laid down by the licensee in a document which has been -
  - (a) prepared by the licensee after consultation with relevant shippers and relevant suppliers;
  - (b) approved by the Authority; and
  - (c) drawn to the attention of such shippers and suppliers,and the licensee shall supply a copy of the document to any relevant shipper or supplier which asks for one.
9. Where paragraph 5 applies for the purposes of the calculation of charges but the charges have already been made, they shall be recalculated as provided in that paragraph and any consequential adjustment made; and in such case the words “the charges so calculated and paid” in paragraph 5 shall be construed as referring to the recalculated charges and the adjusted payments.
10. Any question arising under paragraph 5 or 7 as to whether the supplier concerned has used its reasonable endeavours to recover charges shall be determined by the Authority.
11. Subject to paragraph 12, for the purposes of this condition there shall, be rebuttable presumptions -
  - (a) that, where gas is taken at a point upstream of the outlet of the customer control valve on a service pipe, it is gas which is in the course of conveyance by the licensee; and

- (b) that, where gas is taken at some other point, it is gas which has been conveyed to premises by the licensee.
  
- 12. For the purposes of this condition, there shall also be rebuttable presumptions, in relation to any secondary sub-deduct premises -
  - (a) that where gas is taken (otherwise than by a consumer to whom gas is supplied at the relevant primary premises) at a point between -
    - (i) the meter which registers the supply of gas to the relevant primary premises; and
    - (ii) the outlet of the customer control valve relating to the secondary sub-deduct premises,  
  
it is gas which is in the course of being conveyed to the secondary sub-deduct premises; and
  - (b) that where gas is taken downstream of the outlet, it is gas which has been conveyed to the secondary sub-deduct premises.
  
- 13. The licensee shall, at the request of a relevant shipper, secure that any meter or associated installation or pipe-work connected to the licensee's pipe-line system which has been rendered unsafe or potentially unsafe as a result of -
  - (a) an offence or attempted offence under paragraph 10 of Schedule 2B to the Act; or
  - (b) the reconnection of any premises or the restoration of the supply of gas thereto in contravention of paragraph 11 of that Schedule (or, where the premises in question are secondary sub-deduct premises, such reconnection or restoration as would, but for that fact, have amounted to such a contravention) or any attempt so to do,  
  
is rendered safe.

14. For the purposes of paragraph 13, but subject to paragraph 15, any meter or associated installation or pipe-work connected to a pipe-line system, being a system through which gas is conveyed from primary sub-deduct premises to any secondary sub-deduct premises, shall be deemed to be connected to the licensee's pipe-line system if the licensee conveys gas to the primary sub-deduct premises.
  
15. Paragraph 14 shall not apply to the extent that the licensee does not have the necessary rights of entry, as against -
  - (a) the owner or occupier of any premises on which the meter or associated installation or pipe-work are situated; or
  - (b) the owner of the meter or associated installation or pipe-work,to comply with paragraph 13.



## **Amended Standard Condition 8. Provision and Return of Meters**

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 the licensee 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 (“relevant expertise”); or
    - (b) an undertaking approved by the Authority as having staff possessing the relevant expertiseand 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.

## **Amended Standard Condition 9. Network Code**

1. The licensee shall establish transportation arrangements in respect of matters other than those to which standard conditions 4 (Charging Gas Shippers - General) and 4A (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 condition 4E (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 *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 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 condition 1(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 Condition 10.**

**Not used**

**Standard Condition 11.**

**Not used**

**Standard Condition 12.**

**Not used**

**Standard Condition 13.**

**Redundant**

**Standard Condition 14. The Supply Point Administration Agreement**

1. The licensee shall become a party to and thereafter comply with those provisions of the Supply Point Administration Agreement relevant to it.

**Standard Condition 15.**

**Not used**

## **Standard Condition 16. Pipe-Line System Security Standards**

1. The licensee shall, subject to section 9 of the Act, plan and develop its pipe-line system so as to enable it to meet, having regard to its expectations as to -
  - (a) the number of premises to which gas conveyed by it will be supplied;
  - (b) the consumption of gas at those premises; and
  - (c) the extent to which the supply of gas to those premises might be interrupted or reduced (otherwise than in pursuance of such a term as is mentioned in paragraph 3 of standard condition 14 (Security and emergency arrangements) of the standard conditions of gas suppliers' licences or of directions given under section 2(1)(b) of the Energy Act 1976) in pursuance of contracts between any of the following persons, namely, a gas transporter, a gas shipper, a gas supplier and a customer of a gas supplier,

the gas security standard mentioned in paragraph 2.

2. The gas security standard referred to in paragraph 1 is that the licensee's pipe-line system (taking account of such operational measures as are available to the licensee including, in particular, the making available of stored gas) meets the peak aggregate daily demand for the conveyance of gas for supply to premises which the licensee expects to be supplied with gas conveyed by it -
  - (a) which might reasonably be expected if the supply of gas to such premises were interrupted or reduced as mentioned in paragraph 1(c); and
  - (b) which, (subject as hereinafter provided) having regard to historical weather data derived from at least the previous 50 years and other relevant factors, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years,

so, however, that if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and with the Consumer Council, the Authority is satisfied that security standards would be adequate if sub-paragraph (b) were modified by the substitution of a reference to data derived from a period of less than the previous 50 years or by the substitution of some higher probability for

the probability of 1 year in 20 years, the Authority may, subject to paragraph 3, make such modifications by a notice which -

- (i) is given and published by the Authority for the purposes of this condition generally; and
- (ii) specifies the modifications and the date on which they are to take effect.

3. Paragraph 2(b) shall only be modified if, at the same time, the Authority makes similar modifications to -

- (a) paragraph 6(b) of standard condition 14 (Security and Emergency Arrangements) and paragraph 5(a) of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of gas suppliers' licences; and
- (b) sub-paragraph (b) of the definition of “security standards” in standard condition 1 (Definitions and Interpretation) of the standard conditions of gas shippers' licences.

4. For the purposes of paragraph 1, the licensee may have regard to information received from the operator of a pipe-line or pipe-line system to which it conveys gas as respects the quantity of gas which it expects to require.

**Amended Standard Condition 17. Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick: Arrangements in Respect of Meters**

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 Condition 18. Provision of Services for Persons who are Blind or Deaf**

1. The licensee shall, no later than 1 November 2001, 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 condition 22 (Preparation, Review of and Compliance with Statements and Codes).



### **Standard Condition 19. Arrangements in Respect of Powers of Entry**

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 condition 22 (Preparation, Review of and Compliance with Statements and Codes).

### **Standard Condition 19A. Authorisation of Officers**

1. The arrangements referred to in standard condition 19 (Arrangements in Respect of Powers of Entry) shall provide for the taking of all reasonable steps-
  - (a) for the purpose of securing compliance with paragraph 28(1) of Schedule 2B to the Act;
  - (b) for the purpose of securing that any officer authorised for the purpose of any provision of Schedule 2B to the Act possesses appropriate expertise to perform the particular tasks that he will be required to undertake under the provision in question;
  - (c) for securing that a member of the public may readily confirm the identity or authority of an officer so authorised;
  - (d) for securing that identity cards, uniforms, liveried vehicles and other things carried, worn or used by an officer so authorised which confirm or suggest that he may be such an officer are not misused;
  - (e) for securing that all officers so authorised by the licensee comply with the provisions of the Rights of Entry (Gas and Gas Boards) Act 1954; and
  - (f) for securing that where, in relation to any premises -
    - (i) a power of entry would be conferred on the licensee by Schedule 2B to the Act but for the fact that the premises in question are secondary sub-deduct premises, but
    - (ii) rights have been obtained by the relevant supplier or the relevant shipper which provide, as nearly as may be, for the licensee to enter the premises in question on the same basis as where such a power would be so conferred,

the licensee complies, in relation to any entry of the premises in accordance with those rights, with the requirements imposed on gas transporters by paragraph 28(1) of the said Schedule 2B, and the requirements of sub-paragraphs (b) to (d) are complied with in relation to any officer authorised by the licensee to enter the premises as if the officer were authorised for the purposes of the appropriate provision of that Schedule.

2. Except in so far as the Authority otherwise consents, if any officer authorised for the purpose of any provision of Schedule 2B to the Act, or by the licensee as mentioned in sub-paragraph 1(f) in relation to any premises, or premises of any description or situated in any area, is an officer or servant of an agent of the licensee, the licensee shall inform the relevant shipper, naming the agent in question.

### **Standard Condition 19B. Exercise of Powers of Entry**

1. As respects the exercise of the powers of entry conferred by Schedule 2B to the Act or such rights obtained as mentioned in sub-paragraph 1(f) of standard condition 19A (Authorisation of Officers), the licensee shall use its reasonable endeavours to avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by authorised officers of different licence holders exercising powers of entry for like purposes.

## **Amended Standard Condition 20. Standards of Performance**

*Paragraphs 1 and 7 (Standard Conditions) removed following the introduction of Guaranteed and Overall Standards of Service (GSoS) implemented from 1 April 2002. The Guaranteed Standards were implemented by means of a Statutory Instrument issued under Section 33AA of the Gas Act (as amended) and the Overall Standards were determined by the Authority on 27 March 2002. The GSoS regime does not form part of this licence and is governed under the terms of the Gas Act (as amended).*

8. Where the licensee is required by this licence or any provision of Regulations made under section 33AA of the Act to make a compensation payment to a customer it shall be sufficient compliance with this licence or that provision for the licensee to make the payment to the relevant shipper in such a manner and form as to ensure that the relevant shipper is aware that the payment is for onward transmission via the relevant supplier to the customer.

*Paragraphs 9 and 12 (Standard Conditions) removed following the introduction of Guaranteed and Overall Standards of Service (GSoS) implemented from 1 April 2002. The Guaranteed Standards were implemented by means of a Statutory Instrument issued under Section 33AA of the Gas Act (as amended) and the Overall Standards were determined by the Authority on 27 March 2002. The GSoS regime does not form part of this licence and is governed under the terms of the Gas Act (as amended).*

*Appendix A provides a summary of the standards required by Gas Transporters from 1 April 2002. For a definitive statement as to when the compensation is payable please refer to the Statutory Instrument.*

### **Standard Condition 21. Complaint Handling Procedure**

1. The licensee shall, no later than 1 November 2001, 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 condition 22 (Preparation, Review of and Compliance with Statements and Codes).

**Standard Condition 22. Preparation, Review of and Compliance with Statements and Codes**

1. This condition applies to any statement or code of practice required to be prepared by the licensee pursuant to standard conditions 18 (Provision of Services for Persons who are Blind or Deaf), 19 (Arrangements in Respect of Powers of Entry) and 21 (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 Condition 23. Record of and Report on Performance**

1. The licensee shall keep a record of its general operation of the arrangements mentioned in standard conditions 18 to 22 and 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.

## **Amended Standard Condition 24. Provision of Information to the Authority**

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 –

- (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 condition 1 (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.*

## **Amended Standard Condition 25. Long Term Development Statement**

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 *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 condition 1 (Definitions and Interpretation) shall cease to have effect.

**Standard Condition 26.**

**Not used**



## **Standard Condition 27. Adjustment of Amounts by Reference to the Retail Price**

### **Index**

1. Where it is provided in these standard conditions that an amount (“the unadjusted amount”) shall be adjusted in accordance with this condition, the adjusted amount shall be the unadjusted amount multiplied by the appropriate factor mentioned in paragraph 2.
  
2. The appropriate factor referred to in paragraph 1 shall be obtained by dividing the retail price index for the first month of the year beginning with an anniversary of 1 October 2001 which includes the date by reference to which the adjustment falls to be made by the retail price index for the month beginning with 1 October 2001.
  
3. Any reference in this condition to the retail price index is a reference to the general index of retail prices (for all items) published by The Office for National Statistics; and if that index is not published for any month that reference shall be read as a reference to any substituted index or index figures published by that office for that month.

## **Standard Condition 28. Termination of Shipping Arrangements**

1. The licensee shall keep each relevant supplier informed of the terms which, from time to time, are specified terms for the purposes of standard condition 24B (Undertaking to be Given by Licensee to Relevant Transporter in Respect of Shipping Charges etc) of the standard conditions of gas suppliers' licences as incorporated in that supplier's licence.
  
2. Paragraph 3 shall apply where -
  - (a) the arrangements between the licensee and a gas shipper for the conveyance of gas to any premises ("the old arrangements") have been terminated or expired by effluxion of time and have not been replaced by arrangements made with that or another gas shipper for the like purpose;
  - (b) by reason of sub-section (8) of section 10 of the Act (premises likely to be supplied with gas, subject to section 8A(1), in excess of 2,196,000 kilowatt hours in a twelve-month period) the licensee cannot be required (under sub-section (3) of that section) to maintain the connection of the premises mentioned in sub-paragraph (a) to its pipe-line system; and
  - (c) the old arrangements did not permit of the licensee interrupting the conveyance of gas to the premises mentioned in sub-paragraph (a) (otherwise than in a pipe-line system emergency within the meaning of paragraph 1 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).
  
3. Where this paragraph applies, the licensee shall not, by reason only of the circumstances mentioned in paragraph 2(a), disconnect the premises mentioned in sub-paragraph (a) of paragraph 2 –
  - (a) if and so long as it has reasonable cause to be satisfied that it can expect that such payments as are mentioned in paragraph 4 will be made to it in respect of

gas taken out of its pipe-line system for supply to the premises mentioned in sub-paragraph (a) of paragraph 2, and

- (b) unless the licensee has given 48 hours notice to the owner or the occupier of the premises mentioned in sub-paragraph (a) of paragraph 2 and to any person who, to the knowledge of the licensee, has contracted to supply gas to those premises.
4. The payments referred to in paragraph 3(a) are ones which, as nearly as may be, are the same as those which would have been attributable to the taking out of the gas for supply to the premises mentioned in sub-paragraph (a) of paragraph 2 and due under the old arrangements if they had remained in force and had the gas shipper not, thereafter, introduced any gas into the licensee's pipe-line system nor made arrangements to do so.
  5. Where the premises mentioned in sub-paragraph (a) of paragraph 2 are secondary sub-deduct premises, the references to arrangements in paragraph 2(a) shall be construed as references to sub-deduct arrangements; and references in this condition to "the old arrangements" shall be construed accordingly.

## **Amended Standard Condition 29. Disposal of Assets**

1. The licensee shall not dispose of or relinquish operational control over any transportation asset or *LNG* 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 *LNG* 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.
  
- 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 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 Special Condition 18 (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 Special Condition 18.*

3. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over a transportation asset or *LNG* 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 *LNG* 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 **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***.

### **Amended Standard Condition 30. Regulatory Accounts**

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 Transco Business;*
  - (b) *the Transportation and LNG Storage Business (in so far as it differs from the Transco Business);*
  - (c) *the Transportation Business;*
  - (d) *the LNG Storage Business;*
  - (e) *the Metering Business; and*
  - (f) *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 the Transco Business only, statement of assets and liabilities with the details reasonably necessary to reconcile the net assets shown in that statement at the beginning and end of the period to which it relates, and in respect of each of the other 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).
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 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.*

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 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 Condition 30A. Change of Financial Year**

1. The definition of “financial year” in standard condition 1 (Definitions and Interpretation) shall, for the purpose only of the statutory accounts of the licensee, cease to apply to the licensee from the date the licensee sends a notice to the Authority for that purpose.
2. Such notice:
  - (a) shall specify the date from which, for the purpose set out at paragraph 1, the current and subsequent financial years of the licensee shall run; and
  - (b) shall continue in effect until revoked by the licensee issuing a further notice.
3. While the notice continues in effect the licensee shall procure the preparation of and shall deliver to the Authority audited group accounts for its group of companies for each financial year.
4. Audited group accounts produced in accordance with paragraph 3:
  - (a) shall comprise consolidated group accounts in respect of the group of companies;
  - (b) shall, save insofar as is necessary to reflect a different financial year, have the same form and content as the statutory accounts of the licensee;
  - (c) shall be accompanied by a report by the auditors and addressed to the Authority stating whether in their opinion the audited group accounts have been properly prepared in accordance with this condition and give a true and fair view of the state of affairs of the group of companies and of its profits or losses, total recognised gains or losses and cash flows during the financial year;

- (d) may, with the prior written consent of the Authority, omit or provide in a different form, specified in the consent, such information as may be specified in the consent; and
  - (e) shall clearly disclose any differences between the accounting policies underlying the preparation of the statutory accounts of the licensee and the accounting policies underlying the preparation of the audited group accounts.
5. The licensee may, for the purpose only of its statutory accounts, change its financial year from that previously notified by sending to the Authority a new notice pursuant to paragraph 1. Where the licensee sends the Authority a new notice the previous notice shall be revoked, as provided by sub-paragraph 2(b). The licensee's financial year-end will change with effect from the date specified in the new notice. The new notice shall specify the licensee's new financial year-end.
6. No provisions of this condition shall apply to the financial year of the licensee as defined in standard condition 1 (Definitions and Interpretation) for the purpose of accounts produced in compliance with standard condition 30 (Regulatory Accounts). No provisions of this condition shall affect the licensee's obligations in respect of payment of licence fees under standard condition 3 (Payments by the Licensee to the Authority).



### **Amended Standard Condition 31. Supply Point Information Service**

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.*

## SECTION C. TRANSPORTATION SERVICES OBLIGATIONS

### Amended Standard Condition 32. Interpretation of Section C

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) ***Transportation and LNG Storage Business***
- (b) ***the Metering Business;***
- (c) ***the Meter Reading Business;***
- (d) any other business or activity within the limits of paragraph 4 of ***Special Condition 2*** (Restriction on Activity and Financial Ring-fencing);
- (e) ***any other business conducted or activity carried on by the licensee or a company which was subsidiary of the licensee immediately before the Relevant Date and which, despite the licensee’s reasonable endeavours to comply with paragraph 1 of Special Condition 2 (Restriction on Activity and Financial Ring-fencing), it continues to carry on;***
- (f) without prejudice to the generality of paragraph (a) to (e), 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 Condition 33. Designated Registrar of Pipes**

1. The Authority may by notice designate the licensee as the Designated Registrar of Pipes in relation to all mains (including mains operated by other gas transporters, and, insofar as the licensee is able to obtain details, by persons exempted from section 5(1)(a) of the Act by section 6A thereof) in an area specified or described and from the date specified in the notice.
2. Paragraphs 3 to 5 shall apply to the licensee where it has been given a notice under paragraph 1.
3. From the date specified in the notice given by the Authority under paragraph 1, the licensee shall establish, operate and maintain or procure the establishment, operation and maintenance of a service to be known as the Main Administration Service.
4. The licensee shall ensure the Main Administration Service, within the area specified or described in the notice given by the Authority under paragraph 1, fulfils the following functions:
  - (a) the receipt and processing of data provided, in a form and format reasonably specified by the licensee and approved by the Authority, by gas transporters (including itself) and exempt persons mentioned in paragraph 1 to the Designated Registrar of Pipes pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes);
  - (b) the recording of the data so received and processed in the form (to be approved by the Authority) of a register of all mains notified pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes) in the said area;
  - (c) the maintenance of an enquiry service to provide on request to any person, on payment by the person making the enquiry to the licensee of a fee equal to the reasonable cost to the licensee of complying with the request, a plan showing

whether any main operated by any gas transporter or any exempt person mentioned in paragraph 1 is, according to the data received pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes), situated within 23 metres of the proposed location of a main which the person making the enquiry is considering laying and if there is any such main according to the data received pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes), all the data in the register relating to that main.

5. In fulfilling its obligation in accordance with this condition the licensee shall not restrict, distort or prevent competition in a market for the provision of connections by any person pursuant to section 10 of the Act.



**Standard Condition 34.**

**Not used**

**Standard Condition 35.**

**Not used**

**Standard Condition 36.**

**Not used**

**Standard Condition 37.**

**Not used**

**Standard Condition 38. Availability of Data Formats**

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.

**Amended Standard Condition 39. Restriction on Use of Certain Information and Independence of the Transportation Business**

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) *LNG storage arrangements; and*
  - (a) *the licensee’s Metering Business other than its Meter-Related Services Business*
- 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.
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 Metering-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 Metering-Related Services Business or 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 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 condition 40 (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 Amended Standard Condition 8.***

## **Standard Condition 40. Appointment of Compliance Officer**

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 condition 39 (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 condition 39 (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 condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) may be contravening paragraphs 1, 2, or 8 of standard condition 39 (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 condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) for facilitating compliance with paragraph 1 of standard condition 4D

(Conduct of Transportation Business), or paragraphs 1 or 7 of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) and the procedures established under subparagraph (a) and, in particular, as to whether any information is information to which paragraph 1 of standard condition 39 (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 subparagraph (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 Condition 41. Prohibition of Cross-Subsidies**

1. The licensee shall procure that the transportation business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the licensee or of an affiliate or related undertaking of the licensee.



**Standard Condition 42.**

**Not used**

## **Amended Standard Condition 45. Undertaking from Ultimate Controller**

1. The licensee shall procure from each company or other person which is at any time an *ultimate controller* of the licensee a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that that *ultimate controller* (“the covenantor”) will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of the covenantor (other than the licensee and its subsidiaries) will refrain from any action, which would then be likely to cause the licensee to breach any of its obligations under the Act or this licence. Such undertaking shall be obtained within 7 days of the company or other person in question becoming an *ultimate controller* and shall remain in force for as long as the licensee remains the holder of this licence and the covenantor remains an *ultimate controller* of the licensee.
  
2. The licensee shall:
  - (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 1;
  - (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
  - (c) comply with any direction from the Authority to enforce any such undertaking;and 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 any of the subsidiaries of any such *ultimate controller* (other than the subsidiaries of the licensee) at a time when –
  - (i) an undertaking complying with paragraph 1 is not in place in relation to that *ultimate controller*; or
  - (ii) there is an unremedied breach of such undertaking; or
  - (iii) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 2 of this condition.

## **Amended Standard Condition 47. Indebtedness**

1. In addition to the requirements of standard condition 29 (Disposal of Assets) *and Special Condition 5 (Cross-Default Obligations)*, *except where the Authority has consented prior to the Relevant Date (as defined in Special Condition 1)*, the licensee shall not, without the prior written consent of the Authority (following *full* disclosure *by the licensee* of all material facts), *after the Relevant Date* –
  - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien, or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or *any obligation* otherwise than :
    - (i) on an arm's length basis;
    - (ii) on normal commercial terms;
    - (iii) for *purposes within sub-paragraphs (a), (b), (c), (d) or (f) of the definition of* permitted purpose; *or*
    - (iv) (if the transaction is within the ambit of standard condition 29 (Disposal of Assets)) in accordance with that condition;
  - (b) transfer, lease, license or lend any sums, asset, right or benefit to any affiliate or related undertaking of the licensee otherwise than by way of:
    - (i) a dividend or other distribution out of distributable reserves;
    - (ii) repayment of capital;
    - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
    - (iv) transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition;
    - (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);

- (vi) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received;
  - (vii) *a transfer for the purpose of satisfying paragraph 3A of Special Condition 2 (Restriction on Activity and Financial Ring-Fencing);*  
or
  - (viii) an acquisition of shares or other investments in conformity with *paragraph 2 of special condition 2 (Restriction on Activity and Financial Ring-Fencing)*, made on an arm's length basis and on normal commercial terms.
- (c) the payment condition referred to in sub-paragraph (b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
- (i) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating; or
  - (ii) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.

2. In this condition:

“indebtedness” Means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.

#### **Standard Condition 48. Last Resort Supply: Payment Claims**

1. This condition sets out the circumstances in which the licensee shall increase its transportation charges in order to compensate any gas supplier (a “claimant”) which claims for losses that it has incurred in complying with a last resort supply direction.
2. The following provisions apply where the licensee receives from a claimant a valid claim for a last resort supply payment.
3. Where the licensee receives a valid claim it shall, during the relevant year, make a consequential increase to its transportation charges during that year which relate to the conveyance of gas to premises (and secondary sub-deduct premises to which gas is conveyed as contemplated by sub-deduct arrangements) to such an extent as it reasonably estimates to be appropriate to secure that such consequential increase in its revenue equals the specified amount.
4. The licensee shall, during, or as soon as practicable after the end of, the relevant year, pay to the claimant, by quarterly or monthly instalments (as specified in the claim), the amount of that consequential increase in revenue mentioned in paragraph 3 to the extent that it does not exceed the specified amount.
5. If the amount paid to the claimant under paragraph 4 is less than the specified amount, the licensee shall in the following financial year –
  - (a) pay to the claimant (in accordance with any directions given by the Authority) the shortfall together with 12 months’ interest thereon; and
  - (b) increase the charges referred to in paragraph 3 during the year following the relevant year to such extent as it reasonably estimates to be appropriate to secure that the consequential increase in its revenue equals the amount of that shortfall together with 12 months’ interest thereon.

6. If the amount of the consequential increase mentioned in paragraph 3 exceeds the specified amount, the licensee shall, during the year following the relevant year, decrease the charges referred to in paragraph 3 to the extent that it reasonably estimates to be necessary in order to reduce its transportation revenue for that year by an amount equal to the excess together with 12 months' interest thereon.
7. Any question whether any estimate for the purposes of paragraph 3, 5 or 6 is a reasonable one shall be determined by the Authority.
8. The licensee shall not enter into any transportation arrangements with a gas shipper which do not permit variation of its transportation charges in pursuance of this condition.
9. The provisions of this condition shall have effect notwithstanding that the licensee has not provided any notice required by paragraph 2 of standard condition 4 (Charging of Gas Shippers – General).
10. In calculating the licensee's transportation revenue during any period for the purposes of a price control condition any increase or decrease in revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.
11. The licensee shall prepare, in respect of each year in which it increases or decreases charges in pursuance of paragraph 3, 5 or 6, a statement showing -
  - (a) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 3;
  - (b) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 5;

- (c) the aggregate amount of the decrease in its revenue resulting from decreases in charges in pursuance of paragraph 6, and
  - (d) in the case of each last resort supply payment, the aggregate payments to the claimant made in respect of the year in question (whenever those payments were made).
- 12. The licensee shall give the statements referred to in paragraph 11 to the Authority within the first 4 months of the year following that to which they relate.
- 13. On giving the statement mentioned in paragraph 11(d) to the Authority, the licensee shall publish it in such manner as, in the reasonable opinion of the licensee, will secure adequate publicity for it.
- 14. Where the licensee receives more than one claim for a last resort payment, this condition (other than sub-paragraphs 11(a), (b) and (c)) shall apply separately as respects each separate claim but in so far as it results in changes to the licensee's transportation charges it shall have the cumulative effect of such separate applications.
- 15. (a) For the purposes of this condition –  
  
“last resort supply direction” and “last resort supply payment” have, respectively the meanings given to them in standard conditions 29 (Supplier of Last Resort) and 29A (Supplier of Last Resort Supply Payments) of the standard conditions of the gas suppliers licence.  
  
“price control condition” means any condition of the licence which places a monetary limitation on the transportation charges which may be levied or the transportation revenue which may be recovered by the licensee during a given period;

“relevant year” means, in relation to any valid claim -

- (i) where the claim was received by the licensee at least 60 days before the beginning of a year, that year; or
- (ii) where the claim was received by the licensee less than 60 days before the beginning of a year, the next year.

“specified amount” means the amount specified on a valid claim together with interest calculated in accordance with paragraph 4;

“valid claim” means a claim for which a claimant has been give a consent by the Authority pursuant to standard condition 29A (Supplier of Last Resort Supply Payments) of the standard conditions of the gas suppliers licence; and

“year” means a period of 12 months beginning with 1<sup>st</sup> April.

- (b) The interest referred to in sub-paragraph (a) is simple interest for the period commencing with the date on which the claim was received by the licensee and ending with the date which is 61 days before the start of the relevant year, except where that period is of 30 days or less, in which case no interest shall be payable.



## **PART IV. THE SPECIAL CONDITIONS**

The following are the special conditions for the purposes of this licence.

**Special Condition 1: Interpretation and Construction**

**Special Condition 2: Restriction on Activity and Financial Ring-Fencing**

**Special Condition 3: Availability of Resources**

**Special Condition 4: Credit Rating of licensee**

**Special Condition 5: Cross-Default Obligations**

**Special Condition 9D: Restriction of prices for LNG Storage Services**

**Special Condition 17: Operational guidelines for balancing**

**Special Condition 18: Conveyance to independent systems**

**Special Condition 19: Emergency services to or on behalf of another gas transporter**

**Special Condition 23: Provision of metering and meter reading services**

**Special Condition 25A: Transfer of licence**

**Special Condition 26: Prohibited procurement activities**

**Special Condition 27: Licensee's procurement and use of system management services**

**Special Condition 28A: Revenue restriction definitions**

**Special Condition 28B: Restriction of revenue in respect of the NTS transportation owner activity, Distribution Network transportation activity and NTS system operation activity**

**Special Condition 29: Allocation of revenues and costs for calculations under the price control**

**Special Condition 30: Supplementary provisions of the revenue restrictions**

**Special Condition 31: Restriction of prices in respect of tariff capped metering activities**

**Special Condition 32: Non-discrimination in the provision of metering activities**

**Special Condition 33: Information to be provided to the Authority in connection with the transportation system revenue restriction**

**Special Condition 34: Licensee's methodology for determining incremental entry capacity volumes**

**Special Condition 35: NTS performance reporting**

**Special Condition 36: LDZ incentive scheme and performance reporting**

**Special Condition 37: Exit code statement**

**Special Condition 38: Restriction on Use of Information deriving from the EnMo Business**

## **Special Condition 1. Interpretation and Construction**

1. Unless the context otherwise requires words and expressions used in the standard conditions of licence shall bear the same meaning in these Special Conditions.

2. In these conditions unless the context otherwise requires

"Relevant Date" means the date on which Scheme of Arrangement becomes effective;

"Scheme of Arrangement" means the scheme under section 425 of the Companies Act 1985 relating to BG plc approved by the Authority on 13 December 1999;

“subsidiary undertaking” shall bear the same meaning as that attributed to it in section 258 of the Companies Act 1985;

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

(a) these 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.

4. 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.

5. Anything required by these 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.

6. Any reference in these special conditions to -

- (a) a provision thereof;
- (b) a provision of the standard conditions of gas transporters' licences; or
- (c) a provision of the standard conditions of gas shippers' licences

shall, if these or the standard 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.”

## **Special Condition 2. Restriction on Activity and Financial Ring-Fencing**

1. Save as provided by paragraphs 3, 3A, 4 and 5, the licensee shall not conduct any business or carry on any activity other than the Transco Business.
2. The licensee shall not, without the written consent of the Authority, hold or acquire shares or other investments of any kind except:
  - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose; or
  - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the Transco Business;
  - (c) shares acquired in a body corporate to which is transferred an activity that ceases, or is to cease, to be for a purpose within sub-paragraphs (a) (b), (c), (d) or (e) of the definition of permitted purpose; or
  - (d) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or in absence of any such requirement recommended) from time to time for listed companies in the United Kingdom.
3. Subject to the provisions of paragraph 2, nothing in this condition shall prevent:
  - (a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;
  - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;
  - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or

- (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
  
- 3A. The licensee shall use reasonable endeavours to cease to conduct or carry on any such business or activity prohibited by paragraph 1 which it was conducting or carrying on at the Relevant Date and shall submit to the Authority by 31 March in each calendar year a report setting out details of the endeavours it has made to cease to conduct or carry on such business or activity in the period of twelve months ending on the preceding 31 December, provided that for so long as the licensee is making such reasonable endeavours, it may continue to conduct any such business or carry on any such activity.
  
- 4. Nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a ‘relevant associate’) conducting de-minimis business as defined in this paragraph so long as the limitations in this paragraph are complied with:
  - (a) For the purpose of this paragraph “de minimis business” means any business or activity carried on by the licensee or a relevant associate or relevant associates other than: the businesses or activities falling within sub-paragraph (a), (b), (c) or (e) of the definition of permitted purpose: and other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).
  - (b) The licensee or a relevant associate may carry on de-minimis business provided that the relevant associate carries on no other business except activities of the businesses or activities falling within sub-paragraph (a), (b), (c) or (e) of the definition of permitted purpose and activities authorised by the Authority under paragraph 3(d), and neither of the following limitations is exceeded, namely –
    - (i) the aggregate turnover of all the de-minimis business carried on by the licensee and all its relevant associates does not in any financial year exceed 2.5% of the aggregate turnover of the Transportation and LNG Storage Business, the Metering Business and the Meter Reading

Business (excluding the turnover on transactions which each of those businesses make with each other) as shown by the most recent audited accounting statements of the licensee produced under paragraph 2(b)(i) and (c) of standard condition 30 (Regulatory Accounts);

(ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee and all its relevant associates in their de-minimis business or de-minimis businesses does not at any time after the date when this condition takes effect in this licence exceed 2.5% of the sum of share capital in issue, share premium and consolidated reserves of the licensee as shown by its most recent audited historical cost financial statements then available;

(c) For the purpose of sub-paragraph (b) of this paragraph,

“investment” means any form of financial support or assistance given by or on behalf of the licensee or a relevant associate for the de-minimis business whether on a temporary or permanent basis including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.

(d) At any relevant time, the amount of an investment shall be the sum of –

(i) the value at which such investment was included in the audited historical cost balance sheet of the licensee or a relevant associate as at its latest accounting reference date to have occurred prior to the date this condition takes effect in this licence (or, where the investment was not so included, zero),

(ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee or a relevant associate in respect of such investment in all completed accounting reference periods since such accounting reference date, and

(iii) all commitments and liabilities (whether actual or contingent), of the licensee or a relevant associate relating to such investment outstanding at the end of the most recently completed accounting reference period,

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.

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 construed as if the definition of “the Transco Business” made no reference to the “LNG Storage Business” then for the purpose of this condition, the effect from the date specified in a notice published by the Authority for that purpose, the definition of “the Transco Business” shall be so construed and shall be treated as modified accordingly.



### **Special Condition 3. Availability of Resources**

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 and LNG Storage Business; and
  - (a) 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 condition 24 (Provision of Information to the Authority), *standard condition 45 (Undertaking from Ultimate Controller)*, and paragraph 1 of standard condition 47 (Indebtedness), Special Condition 2 (Restriction on Activity and Financial Ring-fencing), Special Condition 3 (Availability of Resources), Special Condition 4 (Credit Rating of Licensee), paragraph 1 of Special Condition 5 (Cross-Default Obligations) 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.

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 Transco

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 Transco Business” shall be so construed and shall be treated as modified accordingly.

#### **Special Condition 4. Investment Grade Credit Rating as Issuer of Corporate Debt**

1. The licensee shall use all reasonable endeavours to ensure that the licensee maintains at all times an investment grade issuer credit rating.
  
2. In this condition and in amended standard condition 47 and special condition 5:

“corporate debt” means any unsecured and unsubordinated borrowing of money having an initial maturity of five years or more; and

“investment grade issuer credit rating” means –

- (a) a rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries or not less than Baa3 by Moody’s Investors Service, Inc. or any of its subsidiaries or such higher rating as shall be specified by either of them from time to time as the lowest investment grade credit rating; or
- (b) an equivalent rating from any other reputable credit rating agency which, in the opinion of the Authority notified in writing to the licensee, has comparable standing in the United Kingdom and the United States of America.

### **Special Condition 5. Cross-Default Obligations**

1. In addition to the requirements of standard condition 29 (Disposal of Assets) and amended standard condition 47 (Indebtedness), except where the Authority has consented prior to the Relevant Date, the licensee shall not, without the prior written consent of the Authority (following full disclosure by the licensee of all material facts), after the Relevant Date –
  - (a) enter into an agreement or incur a commitment incorporating a cross-default obligation, or
  - (b) continue or permit to remain in effect any agreement or arrangement incorporating a cross-default obligation subsisting on the Relevant Date save that the licensee may permit any cross-default obligation in existence at that date may remain in effect for so long as and provided that:
    - (i) the cross-default obligation is solely referable to
      - (aa) an instrument relating to the provision of a loan or other financial facilities granted, or
      - (bb) an arrangement or agreement entered into prior to that date and the terms on which that loan or those facilities have been made available or of that agreement or arrangement as subsisting on that date are not materially varied to the detriment of the licensee or otherwise made more onerous or where there is a material change in terms, such change is outside the licensee's effective control;
    - (ii) the licensee shall no later than three months from the Relevant Date procure that affiliate of the licensee shall indemnify the licensee in respect of its liabilities and potential liabilities under the cross-default obligation on terms approved in writing by the Authority which terms shall include an obligation that the person granting the indemnity shall maintain, at all relevant times, an investment grade credit rating; and
    - (iii) the licensee shall enforce the terms of the indemnity if so directed in writing by the Authority.

- (c) the provisions of sub-paragraph (a) and (b) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of amended standard condition 47 (Indebtedness).
- (d) this sub-paragraph applies where the licensee, with the consent of the Authority pursuant to this paragraph, enters into any agreement or arrangement incorporating a cross-default obligation. In those circumstances, unless the Authority otherwise consents, the licensee shall:
  - (i) procure that affiliate of the licensee shall indemnify the licensee in respect of its liabilities and potential liabilities under the cross-default obligation on terms approved in writing by the Authority;
  - (ii) procure that the terms of that indemnity shall include an obligation that the person granting the indemnity shall maintain, at all relevant times, an investment grade credit rating; and
  - (iii) enforce the terms of the indemnity if so directed in writing by the Authority.

2. In this condition:

“cross-default obligation” means a term of any agreement or arrangement whereby the licensee’s liability to –

- (i) pay or repay any debt or other sum, or
- (ii) to do any thing pursuant to a term of any agreement or arrangement to which the licensee is a party

arises or is increased or accelerated or is capable of arising, increasing or of acceleration by reason of a default (howsoever such default may be described or defined) by any person other than the licensee, unless:

- (i) that liability can arise only as the result of a default by a subsidiary of the licensee, and

- (ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors, and
- (iii) that subsidiary carries on business only for a purpose within paragraphs (a), (b), (c) and (d) of the definition of permitted purpose.



**Special Condition 9D. Restriction of Prices for LNG Storage Services**

1. (1) Except with the Authority's prior written consent, the licensee shall ensure that the charges made for the Supply of LNG Storage Services in the Formula Year commencing on 1 April 1999 are the charges set out in Tables 1 and 2 below.

**TABLE 1**

LNG Facility	Reserved space (pence per kWh per annum)	Reserved deliverability (pence per peak day kWh per annum)	Storage injection (pence per kWh)	Storage withdrawal (pence per kWh)
Glenmavis	1.365	0.986	0.279	0.012
Dynevor Arms	2.272	1.452	0.198	0.017
Isle of Grain	0.957	0.730	0.290	0.019
Avonmouth	1.170	1.076	0.190	0.019
Partington	0.869	0.795	0.258	0.017

**TABLE 2**

TANKER CHARGES	
Glenmavis tanker filling slots	£2,750 per annum
Glenmavis tanker filling charge	£200 per tanker filled or partially filled

- (2) Except with the Authority's prior written consent, the licensee shall ensure that the charges made for the Supply of LNG Storage Services in each Formula Year commencing on or after 1 April 2000 are the charges set out in the table in subparagraph 1(1) above.

- (3) For each Formula Year for which the licensee charges for the Supply of LNG Storage Services in accordance with this paragraph 1 the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied for that Formula Year with the provisions of standard conditions 4 (Charging of Gas Shippers - General) and 4A (Obligations as Regards Charging Methodology).
- 2 (1) This condition shall apply for so long as this licence continues in force, but shall cease to have effect if -
- (a) the licensee delivers to the Authority a written request made in accordance with sub-paragraph (2) below (“disapplication request”) and the Authority agrees in writing to the disapplication request; or
  - (b) its application is terminated by notice given by the licensee in accordance with either sub-paragraph (3) or sub-paragraph (4) below.
- (2) Any disapplication request shall be in writing, addressed to the Authority, and shall state the date (“disapplication date”) from which the licensee wishes the Authority to agree that this condition shall cease to have effect, but the disapplication date therein shall not be before the later of any date which is not less than 18 months after the date upon which the disapplication request is delivered to the Authority. The licensee may at any time withdraw a disapplication request.
- (3) If
- (a) the Authority has not made a reference to the Competition Commission under Section 24(1) of the Act relating to the modification of this condition before the beginning of the period of 12 months which will end with the disapplication date; and
  - (b) the licensee has not withdrawn the disapplication request
- the licensee may deliver written notice to the Authority terminating the application of this condition with effect from the disapplication date or a later date, save that no such notice may take effect before the end of a period of 12 months from the date of delivery of that notice to the Authority.

- (4) If the Competition Commission makes a report on a reference by the Authority relating to the modification of this condition after a disapplication request, and such report does not include a conclusion that the cessation of this condition, in whole or in part, operates, or may be expected to operate against the public interest, the licensee may within thirty days after the publication of the report by the Authority deliver to it written notice terminating the application of the condition with effect from the disapplication date or a later date.

### **Special Condition 17. Operational Guidelines for Balancing**

1. The licensee shall establish operational guidelines consistent with the Network Code specifying the particular balancing measures the licensee expects to take in particular circumstances.
2. The licensee shall -
  - (a) publish the operational guidelines as modified from time to time (“the guidelines”) in such manner as will secure adequate publicity for them; and
  - (b) send a copy of the guidelines to any person who asks for one.
3. The licensee shall take all reasonable steps in carrying out the balancing measures to do so in accordance with the guidelines.
4. The licensee shall, subject to paragraph 5 below, from time to time make such modifications to the guidelines as may be requisite for the purpose of achieving consistency with the relevant objectives.
5. (1) The licensee shall not make any modification to the guidelines unless -
  - (a) the Authority has consented to the licensee doing so in any case where, in the opinion of the Authority, it is requisite that a modification be made before the licensee can comply with paragraph (b) below; or
  - (b) the licensee has -
    - (i) consulted with relevant shippers on the proposed modification, allowing at least 14 days for any relevant shipper to respond to the proposal; and
    - (ii) furnished the Authority with a report on the consultation and given to it at least 14 days’ notice of its intention to make the proposed modification.
- (2) If within the period of the notice referred to in sub-paragraph (1)(b)(ii) above, the Authority gives a direction requiring the licensee not to make the modification, the licensee shall comply with the direction.

6. The licensee shall, as soon as practicable after the end of a relevant period, furnish to the Authority and to each relevant shipper a report on the application of the guidelines during the period including -
  - (a) a statement by the licensee as to -
    - (i) the extent to which, in its opinion, consistency with the relevant objectives has been achieved during the period;
    - (ii) whether consistency with those objectives could more closely be achieved by modification of the guidelines; and
    - (iii) if so, the modifications which should be made for that purpose; and
  - (b) a statement, by a person eligible for appointment as company auditors (within the meaning of Part II of the Companies Act 1989) approved by the Authority from time to time, who has carried out an investigation in accordance with the scope and objectives established by the licensee and approved by the Authority, as to whether, in his opinion, the licensee has, in carrying out the balancing measures, done so in all material respects in accordance with the guidelines and if not, in what respect, the licensee has failed to do so. This statement shall be incorporated under, but set out as a separate section within, the licensee's annual auditor's statement under special condition 27(7) (b) and shall be prepared in accordance with special condition 27(7) (b).
7. The licensee shall afford to the person referred to in paragraph 6(b) above every reasonable facility for carrying out his investigation.
8. The licensee shall prepare -
  - (a) a report containing such information as to any balancing measures taken by the licensee, the circumstances in which those measures were taken and the effect of taking those measures, as may be specified in any direction given from time to time by the Authority; and
  - (b) a version of such report as aforesaid which excludes, 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 shall comply with any direction from time to time given by the Authority to publish such a version as referred to in sub-paragraph (b).

9. Except in so far as the Authority consents to the licensee not doing so, the licensee shall refer for determination by the Authority any question as to whether any matter seriously and prejudicially affects the interests of any person.
10. This condition shall not require the licensee to produce any documents or publish any information which it could not be compelled to produce or give in evidence in civil proceedings before the court.
11. In this condition -  
“balancing measures” means the measures available to the licensee referred to in the definition of “balancing” in standard condition 1 (Definitions and Interpretation);  
“relevant period” means -
  - (a) for the purposes of paragraph 6(a) of this condition, each period of twelve months ending on 30 April, up to and including the period of twelve months ending on 30 April 2004;
  - (b) for the purposes of paragraphs 6(a) and 6(b) of this condition
    - i. the period of twelve months commencing on 1 April 2004, and each period of twelve months commencing on 1 April thereafter; and
    - ii. any other period designated by the Authority.

### **Special Condition 18. Conveyance to Independent Systems**

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.



### **Special Condition 19. Emergency Services to or on Behalf of Another Gas Transporter**

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 and LNG Storage 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.

**Amended Special Condition 23. Provision of Metering and Meter Reading Services**

1. Before attending to any request from a supplier:
  - (a) pursuant to paragraph 1 of standard condition 8 (Provision and Return of Meters);
  - (b) in relation to the provision of Metering Services other than those services 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 condition 8 (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.

### **Special Condition 25A. Assignment of Licence**

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.

## **Special Condition 26: Prohibited procurement activities**

1. Except with the written consent of the Authority, the licensee shall not and shall procure that any affiliate or related undertaking of the licensee shall not, on its own account (or that of the licensee or of any affiliate or related undertaking of the licensee as the case may be), purchase, enter into or otherwise acquire transportation commodities, gas or gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties.
2. The prohibition in paragraph 1 of this Special Condition shall not apply to the purchase, entering into or acquisition by the licensee or any affiliate or related undertaking on the account of the licensee of transportation commodities, gas or gas derivatives with the intention of selling, assigning or otherwise disposing of such transportation commodities, gas or gas derivatives for the purpose of facilitating balancing management and constraint management so long as such transactions:
  - (a) are conducted on economic and efficient terms; and
  - (b) facilitate the economic and efficient operation of the transportation system.
3. In this Special Condition:

balancing management means the balancing of the NTS through the management of inputs and off-takes of gas to and from the NTS. For the avoidance of doubt such management includes but is not necessarily limited to:

- (i) the acquisition or disposal of gas to replace gas lost from the system in respect of NTS shrinkage (having the meaning given to that term in the licensee's Network Code);
- (ii) the licensee's functions as Top-up Manager (having the meaning given to that term in the licensee's

Network Code); and

(iii) the procurement of gas storage capacity for the purposes of meeting operating margins requirements (having the meaning given to that term in the licensee's Network Code);

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 means 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;

LDZ network means the aggregate of the Local Distribution Zones (having the meaning given to that term in the licensee's Network Code);

NTS means the licensee's national transmission system (having the meaning given to that term in the licensee's Network Code); and

transportation commodities means (including derivatives of such commodities) balancing trades and capacity rights.

### **Special Condition 27: Licensee's procurement and use of system management services**

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 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 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 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 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 and Special Conditions; and
  - (iii) any written representations or objections from shippers 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:

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;
NTS	Means the licensee's national transmission system (having the meaning given to that term in the licensee's Network Code);
relevant system	Means system management services other than:

management services

- (a) those which the licensee has acquired through a balancing trade, provided that such balancing trade was not made pursuant to any prior agreement;
- (b) those which the Authority directs the licensee not to treat as relevant system management services;

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.

## **Special Condition 28A: Revenue restriction definitions**

### 1. In this Special Condition:

Allocation	means any process by which entry capacity or NTS exit capacity may be allotted by or on behalf of the licensee in accordance with the licensee's Network Code;
annual obligated incremental entry capacity	means any obligated incremental entry capacity in respect of a given terminal which the licensee is required to offer for sale for a period of less than five years;
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;
clearing allocation	means in respect of a terminal and period an allocation of entry capacity which either: - results in all the capacity offered for sale being sold; or - has a reserve price of zero;
commercial user quantity	means the aggregate quantity of gas in kilowatt hours, taken off the LDZ 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;

constrained storage facility	has the meaning given to that term in the licensee's Network Code;
curtailment day	means any day in formula year t in respect of which rights to off-take gas at a given supply point, connected system exit point or storage connection point have been curtailed by the licensee;
Day	has the meaning given to that term in the licensee's Network Code;
Distribution Network	has the meaning given in Paragraph 6A of Special Condition 28B part 1b;
Distribution Network transportation activity	means the activities of the licensee connected with the development, administration, maintenance and operation of the LDZ network and with the supply of LDZ services;
Distribution Network transportation activity revenue	means the revenue derived by the licensee from the supply of LDZ services to shippers in respect of the Distribution Network transportation activity (such revenue to be measured on an accruals basis);
Distribution Network transportation quantity	means the aggregate quantity of gas in kilowatt hours introduced into the LDZ network as a result of arrangements with shippers in respect of formula year t less LDZ shrinkage calculated in accordance with the licensee's Network Code;
entry capacity	has the meaning given to the term system entry capacity in the licensee's Network Code;
entry capacity constraint management services	means the undertaking of engagements relating to the



	management of rights to input gas to the NTS;
exit capacity constraint management services	means the undertaking of engagements relating to the management of rights to off-take gas from the NTS including those relating to NExAs;
exit capacity curtailment rights	means rights held by the licensee to curtail rights to off-take gas from the transportation system, other than rights conferred on the licensee solely for the purpose of taking emergency steps or force majeure (having the meanings given to those terms in the licensee's Network Code);
firm entry capacity	means that entry capacity other than interruptible entry capacity;
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 2002 at 06:00 hours;
gigawatt hour or GWh	means one million kilowatt hours;
incremental entry capacity	means obligated incremental entry capacity and non-obligated incremental entry capacity;
incremental entry capacity services	means the undertaking of engagements relating to the provision of entry capacity other than NTS SO baseline entry capacity;
incremental exit capacity services	means the undertaking of engagements relating to the provision of NTS incremental exit capacity;
initial NTS SO baseline entry capacity	means in respect of each terminal and period the NTS SO baseline entry capacity specified in table A2 of schedule A;

interruptible entry capacity	has the meaning given to the term interruptible system entry capacity in the licensee's Network Code;
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 capacity	has the meaning given to that term in the licensee's Network Code;
LDZ capacity curtailment rights	means exit capacity curtailment rights held by the licensee in respect of LDZ capacity;
LDZ network or LDZs	means the aggregate of the local distribution zones (having the meaning given to that term in the licensee's Network Code) comprised within the relevant Distribution Network;
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);
Locational Actions	Means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the OCM. Locational buys will be treated as a cost to the licensee and locational sells will be treated as a revenue;
long-term NTS SO baseline entry capacity	means that proportion of the initial NTS SO baseline entry capacity in respect of each formula year that is available to be sold more than 548 days prior to the first day in respect of which such capacity relates;
NExA	means a network exit agreement (having the meaning given to that term in the licensee's Network Code);

non-obligated incremental entry capacity	means firm entry capacity other than obligated entry capacity;
NTS	means the licensee's national transmission system (having the meaning given to that term in the licensee's Network Code);
NTS baseline firm exit capacity	means in respect of each period the NTS firm exit capacity specified in table A3 of schedule A;
NTS baseline interruptible exit capacity	means in respect of each period the NTS interruptible exit capacity specified in table A4 of schedule A;
NTS exit capacity	shall have the meaning given to that term in the licensee's Network Code;
NTS exit capacity curtailment rights	means exit capacity curtailment rights held by the licensee in respect of NTS exit capacity;
NTS firm exit capacity	means NTS exit capacity other than NTS interruptible exit capacity;
NTS incremental exit capacity	means that NTS exit capacity in excess of NTS baseline firm exit capacity and NTS baseline interruptible exit capacity;
NTS shrinkage	means the sum of NTS own use gas and NTS unaccounted for gas (both having the meanings given to those terms in the licensee's Network Code);
NTS interruptible exit capacity	means NTS exit capacity subject to exit capacity curtailment rights;
NTS SO baseline entry capacity	means in respect of each terminal and period that terminal's initial NTS SO baseline entry capacity and that

	terminal's permanent obligated incremental capacity for which the first day to which such capacity relates has occurred five or more years previously;
NTS system operation activity or NTS SO activity	<p>means engagements undertaken by the licensee pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS TO activity for the delivery of incremental entry capacity and NTS incremental exit capacity, including:</p> <ul style="list-style-type: none"> <li>(i) incremental entry capacity services;</li> <li>(ii) incremental exit capacity services;</li> <li>(iii) residual gas balancing services;</li> <li>(iv) system balancing services, which include services pursuant to paragraphs 5 and 6 of standard condition 7 (Provision of Information Relating to Gas Illegally Taken);</li> <li>(v) entry capacity constraint management services;</li> <li>(vi) exit capacity constraint management services; and</li> <li>(vii) the provision of services in relation to gas quality;</li> </ul>
NTS system operator revenue or NTS SO revenue	means the revenue derived by the licensee from the carrying on of the NTS SO activity, such revenues to be measured on an accruals basis;
NTS TO baseline entry capacity	means in respect of each terminal and period that terminal's TO baseline firm entry capacity as specified in table A1 of schedule A;

NTS transportation owner activity or NTS TO activity	means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the supply of NTS services;
NTS transportation owner revenue or NTS TO revenue	means the revenue derived by the licensee from the supply of NTS services to shippers in respect of the NTS transportation owner activity (such revenue to be measured on an accruals basis);
obligated entry capacity	means obligated incremental entry capacity and NTS SO baseline entry capacity;
obligated incremental entry capacity	means that firm entry capacity in excess of NTS SO baseline entry capacity which the licensee is required to offer for sale in accordance with paragraph 14(5)(b) of Part 2 of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity);
permanent obligated incremental entry capacity	means any obligated incremental entry capacity in respect of a given terminal, which the licensee is required to offer for sale for a period of five years or more;
plus 15 curtailment day	means any curtailment day in formula year t at a given supply point, connected system exit point or storage connection point after the first 15 curtailment days in that formula year for the given supply point, connected system exit point or storage connection point;
residual gas balancing services	means the undertaking of engagements relating to the acquisition or disposal of gas to ensure the safe and efficient operation of the transportation system;

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;
short-term NTS SO baseline entry capacity	means initial NTS SO baseline entry capacity other than long term NTS SO baseline entry capacity;
small interruptible user quantity	means the aggregate quantity of gas in kilowatt hours, taken off the LDZ 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;
storage connection point	has the meaning given to that term in the licensee's Network Code;
subscription	means the relevant formula year;
supply of LDZ services	means the undertaking and performance for gain or reward of engagements:  (a) in connection with the conveyance of gas through

the LDZ network; and

- (b) for the prevention of the escape of gas which has been taken off the LDZ network,

not being the supply of NTS services by the licensee for other persons except engagements relating to the acquisition or disposal of gas otherwise than for the efficient operation of the LDZ network or for replacing gas lost from that system; and

supply of NTS services means the undertaking and performance for gain and reward of engagements:

- (a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS SO activity; and

- (b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the LDZ network or any pipeline system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the LDZ network;

supply point has the meaning given to that term in the licensee's Network Code;

system balancing services means the undertaking of engagements by the licensee in relation to:

- (i) the acquisition or disposal of gas to replace gas lost from the system in respect of NTS shrinkage;
- (ii) its functions as Top-up Manager (having the meaning given to that term in the licensee's Network Code); and
- (iii) the procurement of gas storage capacity for the purposes of meeting operating margins requirements (having the meaning given to that term in the licensee's Network Code);

terminal means an aggregate system entry point (having 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);

universal firm registration means that all NTS exit capacity is registered free from exit capacity curtailment rights; and

very large user quantity means the aggregate quantity of gas in kilowatt hours, taken off the LDZ 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 28B: Restriction of revenue in respect of the NTS transportation owner activity, Distribution Network transportation activity and NTS system operation activity**

**Part 1 a The NTS transportation owner activity revenue restriction**

**1. The principal restriction**

- (1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year the revenue which it derives from its NTS transportation owner activity ( $TOR_t$ ) shall not exceed the maximum NTS transportation owner revenue ( $TOMR_t$ ).
  
- (2) (a) If in respect of any formula year the NTS transportation owner revenue exceeds the maximum NTS transportation owner revenue by more than 4 per cent of the latter, the licensee shall provide the Authority with a written explanation and, in the next following formula year, the licensee shall not effect any increase in prices for use of the NTS unless either:
  - (i) it has demonstrated to the reasonable satisfaction of the Authority that the NTS transportation owner revenue would not be likely to exceed the maximum NTS transportation owner revenue in that next following formula year; or
  - (ii) the Authority has, on the written application of the licensee, consented to such an increase in prices.
  
- (b) If, in respect of any two successive formula years, the sums of the amounts by which the NTS transportation owner revenue has exceeded the maximum NTS transportation owner revenue are more than 6 per cent of the maximum NTS transportation owner revenue for the second of those formula years, then in the next following formula year the licensee shall if required by the Authority adjust its prices such that the NTS transportation owner revenue

would not be likely in the judgement of the Authority to exceed maximum NTS transportation revenue in that next following formula year.

**2. NTS transportation owner revenue (TOR<sub>t</sub>)**

**(1) Principal formula**

For the purposes of paragraph 1 of Part 1 a of this Special Condition the NTS transportation owner revenue in respect of formula year t (TOR<sub>t</sub>) shall be derived from the following formula:

$$\text{TOR}_t = \text{TOREVBEC}_t + \text{TOExR}_t + \text{TORCOM}_t$$

where:

TOREVBEC<sub>t</sub> means the NTS TO revenue derived by the licensee in respect of formula year t from the sale of NTS SO baseline entry capacity and shall be derived from the following formula:

$$\text{TOREVBEC}_t = \text{REVBEC}_t - \text{DREVBEC}_t$$

where:

REVBEC<sub>t</sub> means the revenue derived by the licensee in respect of formula year t from the sale of NTS SO baseline entry capacity and shall be derived in accordance with paragraph 14(5)(k)(i) of Part 2 of this Special Condition;

DREVBEC<sub>t</sub> means the revenue derived by the licensee in respect of formula year t from the on the day sale of NTS SO baseline entry capacity and shall be derived in accordance with paragraph 14(5)(l)(i) of Part 2 of this Special Condition;

TOExR<sub>t</sub> means the revenue derived by the licensee in respect of formula year t in respect of charges levied on shippers that is allocated to the NTS transportation owner activity and shall be derived in the following manner:

- (a) In respect of formula years 1 and 2 and, unless the Authority otherwise directs, in each subsequent relevant formula year until the first complete formula year in which the licensee achieves universal firm registration:

$$\text{TOExR}_t = \text{TOExRF}_t + \text{TOExNTSSIC}_t$$

TOExRF<sub>t</sub> means the revenue derived by the licensee in respect of formula year t in respect of charges levied on shippers in respect of its provision of NTS firm baseline exit capacity and shall be derived from the following formula:

$$\text{TOExRF}_t = \text{TOEx}_t \times \text{Min} \left[ \frac{\text{TOBFEx}_t}{\text{TOTFEx}_t}, 1 \right]$$

where:

TOEx<sub>t</sub> means the revenue derived by the licensee in respect of formula year t in respect of charges levied on shippers in respect of its provision of NTS firm exit capacity;

TOBFEx<sub>t</sub> means the NTS baseline firm exit capacity in respect of formula year t; and

TOTFEx<sub>t</sub> means the total volume in GWh/day of NTS firm exit capacity registered by shippers on 15 January in respect of formula

year t; and

TOExNTSSIC<sub>t</sub> means the accrued value in respect of charges foregone by the licensee as a result of NTS exit capacity curtailment rights and shall be derived from the following formula:

$$\text{TOExNTSSIC}_t = \text{ExNTSSIC}_t \times \text{Min} \left[ \frac{\text{SOBIEx}_t}{\text{SOTIEx}_t}, 1 \right]$$

where:

ExNTSSIC<sub>t</sub> has the meaning given to that term in paragraph 14(6)(h) of Part 2 of this Special Condition;

SOBIEx<sub>t</sub> means the NTS baseline interruptible exit capacity in respect of formula year t; and

SOTIEx<sub>t</sub> means the total volume in GWh/day of NTS capacity registered by shippers in respect of which the licensee has NTS exit capacity curtailment rights on 15 January of formula year t.

(b) Otherwise:

$$\text{TOExR}_t = \text{TOExRF}_t$$

TORCOM<sub>t</sub> means the revenue derived by the licensee in respect of NTS TO activities provided by the licensee in respect of formula year t from charges levied on shippers pursuant to amended standard condition 4 (Charging Gas Shippers – General) or payments made by the licensee other than revenue earned by the licensee through (i) TOREVBEC<sub>t</sub> and (ii) TOExR<sub>t</sub>

### 3. Maximum NTS transportation owner revenue (TOMR<sub>t</sub>)

#### (1) Principal formula

For the purposes of paragraph 1 of Part 1 a of this Special Condition the maximum NTS transportation owner revenue in respect of formula year t (TOMR<sub>t</sub>) shall be derived from the following formula:

$$\text{TOMR}_t = \text{TOZ}_t + \text{TOF}_t - \text{TOK}_t$$

where:

TOZ<sub>t</sub> shall be derived in the following manner:

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

$$\text{TOZ}_t = \text{£}336,560,000 \times \left[ 1 + \left( \frac{\text{RPI}_0}{100} \right) \right]$$

- (ii) Otherwise:

$$\text{TOZ}_t = \text{TOZ}_{t-1} \times \left[ 1 + \left( \frac{\text{RPI}_t - X}{100} \right) \right]$$

where:

RPI<sub>0</sub> 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 April to September (both inclusive) in the year 1999 and the arithmetic average of the retail price index numbers published or determined with respect to the six months from July to December in the year 2001;

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

X has the value of two (2); and

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

where:

NTS prescribed rates Means the amount of the charge deemed to be incurred in respect of the prescribed rates or equivalent tax or duty replacing them levied

on the licensee in respect of its NTS transportations owner activity in respect of formula year t: it shall be calculated as follows;

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

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

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

In the event that the licensee receives a separate rating assessment or assessments in respect of gas meters connected to the licensee's pipeline system on or after 1<sup>st</sup> April 2005 the resultant charges shall be allocated by the licensee between the Distribution

Network transportation activity and NTS transportation owner activity in accordance with Special Condition 29, and shall accordingly be deemed to constitute an element of the Distribution Network prescribed rates and NTS prescribed rates as so allocated.

NTS licence fees means payments made by the licensee in respect of the NTS transportation owner activity under standard condition 3 (Payments by the Licensee to the Authority) in respect of formula year t determined in accordance with the principles determined by the Authority for the purposes of that condition; and

TOK<sub>t</sub> means the NTS TO revenue adjustment equal to the NTS TO over or under recovery in respect of formula year t-1 and shall be derived in accordance with paragraph 3(2) of Part 1 a of this Special Condition.

**(2) NTS transportation owner revenue adjustment (TOK<sub>t</sub>)**

(a) For the purposes of paragraph 3(1) of Part 1 a of this Special Condition, the NTS TO revenue adjustment factor in respect of formula year t (TOK<sub>t</sub>) shall be derived in the following manner:

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

TOK<sub>t</sub> =

$$(0.17 \times ([KT_t \times Q_t] + [KM_t \times L_t] + [KR_t \times H_t])) - \left( S \times 0.17 \times \left[ 1 + \frac{I_t}{100} \right] \right)$$



where:

$KT_t$ ,  $KM_t$   
and  $KR_t$

mean the revenue adjustment factors in respect of the formula year commencing on 1 April 2002 and shall be calculated in accordance with the definitions of these terms set out in Special Condition 9C<sup>1</sup> (Restriction of prices for transportation, metering and meter reading services) in the form that the same appeared in the licensee's gas transporter licence as at 31 March 2002 notwithstanding any subsequent modifications;

$Q_t$

means the deemed transportation quantity in respect of the formula year commencing on 1 April 2002 shall be calculated in accordance with the definitions of these terms set out in Special Condition 9C (Restriction of prices for transportation, metering and meter reading services) in the form that the same appeared in the licensee's gas transporter licence as at 31 March 2002 notwithstanding any subsequent modifications;

$L_t$

means the number of meter units in respect of the formula year commencing on 1 April 2002 shall be calculated in accordance with the definitions of these terms set out in Special Condition 9C<sup>1</sup> (Restriction of prices for transportation, metering and meter reading services) in the form that the same appeared in the licensee's gas transporter licence as at 31 March 2002 notwithstanding any subsequent modifications;

$H_t$  means total number of meter reading units in respect of the formula year commencing on 1 April 2002 shall be calculated in accordance with the definitions of these terms set out in Special Condition 9C (Restriction of prices for transportation, metering and meter reading services) in the form that the same appeared in the licensee's gas transporter licence as at 31 March 2002 notwithstanding any subsequent modifications;

$S$  is an amount equal to £26,500,000, being an adjustment in respect of licence fees payable by the licensee pursuant to standard condition 3 (Payments by the Licensee to the Authority) in respect of the formula year t-1; and

$I_t$  means the percentage interest rate in respect of formula year t which is equal to, where  $TOK_t$  (taking no account of  $I_t$  for this purpose) has a positive value, the average specified rate plus 3 or, where  $TOK_t$  (taking no account of  $I_t$  for this purpose) has a negative value, the average specified rate.

(ii) Otherwise:

$$TOK_t = (TOR_{t-1} - TOMR_{t-1}) \times \left(1 + \frac{I_t}{100}\right)$$

where

$TOR_{t-1}$  shall have the meaning given to that term in

paragraph 2 of Part 1 a of this Special Condition where t equals t-1;

$TOMR_{t-1}$  shall have the meaning given to that term in paragraph 3(1) of Part 1 a of this Special Condition where t equals t-1; and

$I_t$  shall have the meaning given to that term in paragraph 3(2)(a)(i) of Part 1 a of this Special Condition.

#### **4. Reporting obligations**

- (1) Where the licensee publishes any statement or revised or amended statement as to its NTS TO transportation charges under amended standard condition 4 (Charging Gas Shippers - General), the licensee shall not later than twenty-eight days prior to the time of such publication provide the Authority with:-
  - (a) a written forecast of maximum NTS transportation owner revenue, together with its components, in respect of the formula year in which the change in such charges is to take effect and also in respect of the next following formula year; and
  - (b) a written estimate of the maximum NTS transportation owner revenue, together with its components, in respect of the formula year immediately preceding the formula year in which the change in such charges is to take effect unless a statement complying with paragraph 4 below in respect of that first mentioned formula year has been furnished to the Authority before the publication of the proposed change in such charges.
- (2) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its NTS TO transportation charges, the licensee shall provide the Authority with a written forecast of the

maximum NTS transportation owner revenue, together with its components, in respect of that formula year.

- (3) Any forecasts as aforesaid shall be accompanied by such information as may be necessary to enable the Authority to be reasonably satisfied that the forecasts have been properly prepared on a consistent basis.
- (4) Not later than six weeks after the commencement of a formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 1(1) and 1(2) of Part 1 a of this Special Condition apply in respect of that formula year and its best estimate of what  $TOK_t$  (as defined in paragraph 3(2) of Part 1 a of this Special Condition) is likely to be in that formula year.
- (5) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement showing the NTS transportation owner revenue in respect of that formula year that shall be certified by a Director of the licensee on behalf of the licensee stating that the information is correct to the best of his knowledge and belief having made all reasonable enquiries.
- (6) The statement referred to in sub-paragraph (5) above shall be accompanied by a report from appropriate auditors that, in their opinion, that statement fairly presents the NTS transportation owner revenue in accordance with the requirements of this Special Condition.

## **5. Disapplication of the NTS transportation owner activity revenue restriction**

- (1) The NTS transportation owner activity revenue restriction conditions shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 5(2) to 5(7) of Part 1 a of this Special Condition.
- (2) The NTS transportation owner activity revenue restriction conditions shall cease to have effect (in whole or in part as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 5(3) of Part 1 a of this Special Condition or notice is given to the Authority by the licensee in

accordance with either paragraph 5(6) or paragraph 5(7) of Part 1 a of this Special Condition.

- (3) A disapplication request shall:
  - (i) be in writing addressed to the Authority;
  - (ii) specify the NTS transportation owner activity revenue restriction conditions (or any part or parts thereof) to which the request relates; and
  - (iii) state the date (being not earlier than the date referred to in paragraph 5(5) of Part 1 a of this Special Condition) from which the licensee wishes the Authority to agree that the conditions 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 of Part 1 a of this Special Condition shall have effect until a date being the earlier of:
  - (a) not less than 18 months after delivery of the disapplication request; and
  - (b) 31st March 2007.
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of Part 1 a of this Special Condition or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn the disapplication request, the licensee may deliver written notice to the Authority terminating the application of Part 1 a of this Special Condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or a later date.
- (7) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of Part 1 a of this Special Condition or the

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

## **Part 1 b The LDZ transportation activity revenue restriction**

### **6. The principal restriction**

- (1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year  $t$  the Distribution Network transportation activity revenue for any Distribution Network  $i$  ( $DNR_{it}$  as defined in paragraph 6A below) of the licensee shall not exceed the maximum Distribution Network transportation activity revenue for that Distribution Network in that year ( $DNMR_{it}$  as defined in paragraph 6A below).
- (2) (a) If in respect of any formula year the Distribution Network transportation activity revenue in respect of a relevant Distribution Network exceeds the maximum Distribution Network transportation activity revenue in respect of that Distribution Network by more than 4 per cent of the latter, the licensee shall provide the Authority with a written explanation and, in the next following formula year, the licensee shall not effect any increase in prices for use of the relevant Distribution Network unless either:
  - (i) it has demonstrated to the reasonable satisfaction of the Authority that the Distribution Network transportation activity revenue in respect of the relevant Distribution Network would not be likely to exceed the maximum Distribution Network transportation activity

revenue in respect of the relevant Distribution Network in that next following formula year; or

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

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

#### **6A. Distribution Networks**

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

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

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

## **7. Distribution Network transportation activity revenue ( $\text{DNR}_{it}$ )**

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

## **8. Maximum Distribution Network transportation activity revenue $\text{DNMR}_{it}$**

### **(1) Principal formula**

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

$$\text{DNMR}_{it} = \text{DNZ}_{it} + \text{DNF}_{it} - \text{DNMRA}_{it} - \text{DNK}_{it}$$

where:

$\text{DNZ}_{it}$  in respect of Distribution Network  $i$  shall be derived in the following manner:

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

$$\text{DNZ}_{it} = \text{£}1,896,567,883$$

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



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

where:

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

$X$  has the value of two (2); and

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

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

where:

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

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

where:

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

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

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

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

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

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

where

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

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

(iv) in respect of subsequent formula years

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

DNF<sub>it</sub> Means the Distribution Network prescribed rates plus the Distribution Network licence fees in respect of Distribution Network i in formula year t,

where:

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

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

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

Distribution Network i	Percentage (%)
0	100
1	07.1407
2	11.4358
3	12.1314
4	19.8953
5	09.6348
6	09.7606
7	10.9214
8	19.0800

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

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

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

purposes of that condition.

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

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

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

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

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

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

Otherwise:

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

where:

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

$J_{it}$  means the price control initial projection allowance in respect of Distribution Network  $i$  and formula year  $t$  and shall have the values set out in the following table:

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

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

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

where:

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

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

December (both inclusive) 2000;

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

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

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

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

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

where:

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

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

corresponding to the nearest imperial equivalent

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

$U_{n,i,t}$  means the specific matrix costs in respect of diameter band n, Distribution Network i and formula year t as set out in the following tables

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

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

i=2	Specific matrix costs (£ per metre)				
Diameter band n	t=1	t=2	t=3	t=4	t=5



1			44.1	42.9	42.1
2			58.1	56.7	55.6
3			92.8	90.0	88.4
4			125.4	121.7	119.5
5			175.1	169.6	166.5
6			286.7	278.2	273.1

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

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

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

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

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

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

$$\sum_{n=1}^6$$

Means the sum over the diameter bands n of  $L_{n,i,t} \times U_{n,i,t}$ .

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

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

- (a) For the purposes of paragraph 8(1) of Part 1 b of this Special Condition the Distribution Network transportation activity revenue adjustment in respect of Distribution Network  $i$  and formula year  $t$  ( $DNK_{it}$ ) shall be derived from the following manner:
  - (i) In respect of the formula year commencing on 1 April 2002:

$$\mathbf{DNK}_{it} = - \mathbf{£31,625,049}$$

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

$$\mathbf{DNK}_{it} = (\mathbf{DNR}_{it-1} - \mathbf{DNMR}_{it-1}) \times \left( 1 + \frac{\mathbf{I}_t}{100} \right)$$

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

$$\mathbf{DNK}_{it} = (\mathbf{DNR}_{it-1} - \mathbf{DNMR}_{it-1}) \times \mathbf{N}_i \left( 1 + \frac{\mathbf{I}_t}{100} \right)$$

(iv) and thereafter

$$\mathbf{DNK}_{it} = (\mathbf{DNR}_{it-1} - \mathbf{DNMR}_{it-1}) \times \left( 1 + \frac{\mathbf{I}_t}{100} \right)$$

where:

$\mathbf{I}_t$  Shall have the meaning given to that term in paragraph 3(2) of Part 1 a of this Special Condition, except that, where the total of  $\mathbf{DNK}_{it}$  for all Distribution Networks has a negative value the percentage interest rate for each Distribution Network shall be the average specified rate, and where the total of  $\mathbf{DNK}_{it}$  for all Distribution Networks has a positive value the percentage interest rate for each Distribution Network shall be the average specified rate plus 3.

$\mathbf{N}_i$  has the same meaning given to that term in paragraph 8(1) of Part 1b of this special condition

## 9. Calculation of quantities

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

## **10. Reporting obligations**

- (1) Where the licensee publishes any statement or revised or amended statement as to its Distribution Network transportation charges under amended standard condition 4 (Charging Gas Shippers – General), the Licensee shall not later than twenty eight days prior to the time of such publication provide the Authority with:
  - (a) a written forecast of maximum Distribution Network transportation activity revenue together with its components, in respect of each Distribution Network to which the statements referred to in paragraph 10(1) relate and in respect of the formula year in which the change in such charges is to take effect and also in respect of the next following formula years; and
  - (b) a written estimate of the maximum Distribution Network transportation activity revenue together with its components, in respect of each Distribution Network to which the statements referred to in paragraph 10 (1) relate and in respect of the formula year immediately preceding the formula year in which the change in such charges is to take effect unless a statement complying with paragraph 10(4) of Part 1 b of this Special Condition in respect of the first mentioned formula year has been furnished to the Authority before publication of the proposed change to such charges.

- (2) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its Distribution Network transportation charges under amended standard condition 4 (Charging Gas Shippers – General) the licensee shall provide the Authority with a written forecast of the maximum Distribution Network transportation activity revenue in respect of each Distribution Network and together with its components, in respect of that formula year.
- (3) Any forecasts as aforesaid shall be accompanied by such information as may be necessary to enable the Authority to be reasonably satisfied that the forecasts have been properly prepared on a consistent basis.
- (4) Not later than six weeks after the commencement of the formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 6(1) and 6(2) of Part I b of this Special Condition above apply in respect of that formula year and its best estimate of what  $DNK_{it}$  (as defined in paragraph 8(4) of Part 1 b this Special Condition) is likely to be in that formula year in respect of each Distribution Network
- (5) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement in respect of each Distribution Network showing the Distribution Network transportation activity revenue, the Distribution Network transportation quantity and the commercial user quantity, the very large user quantity and the small interruptible user quantity in respect of that formula year which shall be certified by a Director of the licensee on behalf of the licensee stating that the information is correct to the best of his knowledge and belief having made all reasonable enquiries.
- (6) The statement referred to in sub-paragraph (5) above shall be accompanied by a report from an appropriate auditor that, in its opinion, that statement fairly presents the Distribution Network transportation activity revenue, the Distribution Network transportation quantity and the commercial user quantity, the very large user quantity and the small interruptible user quantity, in each case in relation to

each Distribution Network in accordance with the requirements of this Special Condition.

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

- (1) The Distribution Network transportation activity revenue restriction conditions shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 11(2) to 11(7) of Part 1 b of this Special Condition.
- (2) The Distribution Network transportation activity revenue restriction conditions shall cease to have effect (in whole or in part as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 11(3) of Part 1 b of this Special Condition or notice is given to the Authority by the licensee in accordance with either paragraph 11(6) or paragraph 11(7) of Part 1 b of this Special Condition.
- (3) A disapplication request shall:
  - (i) be in writing addressed to the Authority;
  - (ii) specify the Distribution Network transportation activity revenue restriction conditions (or any part or parts thereof) to which the request relates;
  - (iii) specify the Distribution Network (or any part or parts thereof) to which the request relates; and
  - (iv) state the date (being not earlier than the date referred to in paragraph 11(5) of Part 1 b of this Special Condition) from which the licensee wishes the Authority to agree that the conditions shall cease to have effect, (the disapplication date).
- (4) The licensee may withdraw a disapplication request at any time.

- (5) Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to paragraph 6 of Part 1 b of this Special Condition shall have effect until a date being the earlier of:
- (a) not less than 18 months after delivery of the disapplication request; and
  - (b) 31st March 2007.
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of Part 1 b of this Special Condition or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn this disapplication request, the licensee may deliver written notice to the Authority terminating the application of Part 1 b of this Special Condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or a later date.
- (7) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of Part 1 b of this Special Condition or the part or parts thereof specified in the disapplication request and such report does not include a conclusion that the cessation of such revenue restrictions in Special Condition 28B Part 1 b, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 25 of the Act deliver to the Authority written notice terminating the application of Part 1 b of this Special Condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or such a later date.



## Part 2 The NTS system operation activity revenue restrictions

### 12. Principal Restriction

- (1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year the revenue which it derives from its NTS system operation activity ( $SOR_t$ ) shall not exceed the maximum NTS system operation revenue ( $SOMR_t$ ).
- (2) If in respect of any formula year the NTS system operation revenue ( $SOR_t$ ) exceeds the maximum NTS system operation revenue ( $SOMR_t$ ) by more than 4 per cent of the latter, the licensee shall furnish an explanation to the Authority and, in the next following formula year, the licensee shall not effect any increase in prices in respect of services relating to the NTS SO activity unless either:
  - (a) it has demonstrated to the reasonable satisfaction of the Authority that the NTS system operation revenue would not be likely to exceed the maximum NTS system operation revenue in that next following formula year; or
  - (b) the Authority has, on the application of the licensee, consented to such an increase in prices.
- (3) If, in respect of any two successive financial years, the sums of the amounts by which the NTS system operation revenue ( $SOR_t$ ) has exceeded the maximum NTS system operation revenue is more than 6 per cent of the maximum NTS system operation revenue ( $SOMR_t$ ) for the second of those years, then in the next following formula year the licensee shall if required by the Authority adjust its prices such that the NTS system operation revenue would not be likely in the judgement of the Authority to exceed maximum NTS system operation revenue in that next following formula year.

### 13. NTS system operation revenue (SOR<sub>t</sub>)

#### (1) Principal formula

For the purposes of paragraph 12 of Part 2 of this Special Condition the revenues which the licensee derives from its NTS system operation activity in respect of any formula year t (SOR<sub>t</sub>) shall be derived from the following formula:

$$\text{SOR}_t = \text{RCOM}_t + \text{SOExRF}_t + \text{SORCAP}_t + \text{SOROC}_t$$

where:

RCOM<sub>t</sub> means the revenue derived by the licensee in respect of formula year t from charges levied on shippers pursuant to amended standard condition 4 (Charging Gas Shippers – General) in respect of NTS SO activities provided by the licensee and shall include charges to recover both costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from system operation activities other than revenue earned by the licensee through (i) SOExRF<sub>t</sub> (ii) SORCAP<sub>t</sub> and (iii) SOROC<sub>t</sub>.

SOExRF<sub>t</sub> means the revenue derived by the licensee in respect of formula year t from sales of incremental exit capacity and shall be derived in accordance with the following formula:

$$\text{SOExRF}_t = \text{TOEx}_t - \text{TOExRF}_t$$

where:

TOEx<sub>t</sub> shall be derived in accordance with paragraph 2 of Part 1 a of this Special Condition;

TOExRF<sub>t</sub> shall be derived in accordance with paragraph 2 of Part 1 a of this Special

Condition;

$SORCAP_t$  means the NTS SO revenue derived by the licensee in respect of sales of entry capacity and shall be derived in accordance with paragraph 13(2) of Part 2 of this Special Condition; and

$SOROC_t$  means the NTS SO revenue derived by the licensee in respect other defined SO charges and shall be derived in accordance with paragraph 13(3) of Part 2 of this Special Condition.

**(2) NTS SO revenue derived from the sales of entry capacity ( $SORCAP_t$ )**

For the purposes of paragraph 13(1) of Part 2 of this Special Condition NTS SO revenue derived by the licensee in respect of sales of entry capacity in respect of formula year t ( $SORCAP_t$ ) shall be derived from the following formula:

$$SORCAP_t = DREVBEC_t + REVOIEC_t + REVIEC_t + REVIC_t + REVIBEC_t$$

where:

$DREVBEC_t$  means the revenue derived by the licensee in respect of formula year t from on the day sales of NTS SO baseline entry capacity and shall be derived in accordance with paragraph 14(5)(l)(i) of Part 2 of this Special Condition;

$REVOIEC_t$  means the revenue derived by the licensee in respect of formula year t from sales of obligated incremental entry capacity and shall be derived in accordance with paragraph 14(5)(k)(ii) of Part 2 of this Special Condition;

$REVIEC_t$  means the revenue derived by the licensee in respect of formula year t from sales of non-obligated incremental entry capacity and shall be derived in accordance with paragraph 14(5)(k)(iii) of Part

2 of this Special Condition;

REVIC<sub>t</sub> means the revenue derived by the licensee in respect of formula year t from sales of interruptible entry capacity; and

REVIBEC<sub>t</sub> means the revenues earned by the licensee in respect of formula year t from sales of permanent obligated incremental entry capacity relating to periods more than 5 years after the first day to which such capacity is related and shall be derived in accordance with paragraph 14(5)(k)(iv) of Part 2 of this Special Condition.

**(3) Associated SO charges (SOROC<sub>t</sub>)**

For the purposes of paragraph 13(1) of Part 2 of this Special Condition NTS SO revenue derived by the licensee through associated SO charges in respect of formula year t (SOROC<sub>t</sub>) shall be derived from the following formula:

In formula year ( $t \leq 2$ )

$$\text{SOROC}_t = \text{RNC}_t + \text{RCOR}_t + \text{FTI}_t$$

In formula year ( $t \geq 3$ )

$$\text{SOROC}_t = \text{RNC}_t + \text{RCOR}_t + \text{FTI}_t + \text{RLOC}_t$$

where:

RNC<sub>t</sub> means the net revenue derived in respect of formula year t through balancing neutrality charges (having the meaning given to that term in the licensee's Network Code);

RCOR<sub>t</sub> means revenue derived by the licensee in formula year t in respect of system entry overrun charges (having the meaning given to that

term in the licensee's Network Code); and

$FTI_t$  means revenue derived by the licensee in respect of formula year  $t$  from charges levied on shippers in respect of any failure to interrupt (having the meaning given to that term in the licensee's Network Code).

$RLOC_t$  means the revenue derived by the licensee in respect of formula year  $t$  in respect of locational sell actions and physical renomination incentive charges (having the meaning given to that term in the licensee's Network Code) and shall be derived in accordance with paragraph 14(7)(b) of Part 2 of this Special Condition

#### **14. Definition of maximum NTS system operation revenue ( $SOMR_t$ )**

##### **(1) Principal formula**

For the purposes of paragraph 12 of Part 2 of this Special Condition, the term maximum NTS system operation revenue in respect of formula year  $t$  ( $SOMR_t$ ) shall be derived from the following formula:

$$SOMR_t = SOIR_t + SOIC_t + SORA_t$$

where:

$SOIR_t$  means the NTS system operation incentive revenue in respect of formula year  $t$  and shall be derived in accordance with paragraph 14(2) of Part 2 of this Special Condition;

$SOIC_t$  means the NTS system operation revenue equal to the costs incurred by the licensee in respect of formula year  $t$  and shall be derived in accordance with paragraph 14(3) of Part 2 of this

Special Condition; and

$SORA_t$  means any allowance in respect of an approved income adjusting event (whether of a positive or negative value) to be made in respect of formula year t and shall be derived in accordance with paragraph 14(11) of Part 2 of this Special Condition.

**(2) NTS system operator incentive revenue ( $SOIR_t$ )**

For the purposes of paragraph 14(1) of Part 2 of this Special Condition, the NTS system operator incentive revenue in respect of formula year t ( $SOIR_t$ ) shall be derived from the following formula:

$$SOIR_t = ECIIR_t + ExCIIR_t + BBIR_t + SBIR_t + RBIR_t + ICIR_t$$

where:

$ECIIR_t$  means the entry capacity investment incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 14(5)(a) of Part 2 of this Special Condition;

$ExCIIR_t$  means the exit capacity investment incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 14(6)(a) of Part 2 of this Special Condition;

$BBIR_t$  means the buy back incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 14(7)(a) of Part 2 of this Special Condition;

$SBIR_t$  means the NTS system balancing incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 14(8)(a) of Part 2 of this Special Condition;

RBIR<sub>t</sub> means the residual gas balancing incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 14(9)(a) of Part 2 of this Special Condition; and

ICIR<sub>t</sub> means the internal costs incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 14(10)(a) of Part 2 of this Special Condition.

**(3) NTS system operation costs (SOIC<sub>t</sub>)**

For the purposes of paragraph 14(1) of Part 2 of this Special Condition, the term NTS system operation costs in respect of formula year t (SOIC<sub>t</sub>) shall be derived from the following formula:

$$SOIC_t = ExCP_t + IECCC_t + CNIC_t + SBIC_t + RBIC_t + ICCP_t - SOK_t$$

where:

ExCP<sub>t</sub> means the revenue equivalent to the exit capacity costs incurred by the licensee in respect of formula year t and shall be derived in accordance with paragraph 14(6)(h) of Part 2 of this Special Condition;

IECCC<sub>t</sub> means the revenue equivalent to the total entry capacity constraint costs incurred in respect of formula year t and shall be derived in accordance with paragraph 14(7)(b) of Part 2 of this Special Condition;

CNIC<sub>t</sub> means the revenue equivalent to the total second capacity adjustment neutrality amount (having the meaning given to that term in the licensee's Network Code) incurred in respect of formula year t;

- $SBIC_t$  means the revenue equivalent to the system balancing costs incurred by the licensee in respect of formula year t and shall be derived in accordance with paragraph 14(8)(f) of Part 2 of this Special Condition;
- $RBIC_t$  means an amount equal to the revenue equivalent to the net residual balancing costs incurred by the licensee in respect of formula year t and shall be equal to the sum of the basic net neutrality amount and the adjustment neutrality amount (both having the meanings given to those terms in the licensee's Network Code) across all days in formula year t;
- $ICCP_t$  means the revenue equivalent to the internal costs incurred by the licensee in respect of formula year t and shall be derived in accordance with paragraph 14(10)(b) of Part 2 of this Special Condition; and
- $SOK_t$  means the NTS SO revenue adjustment factor equal to NTS system operation maximum revenue under or over recovery in respect of formula year t-1 and shall be derived in accordance with paragraph 14(4) of Part 2 of this Special Condition.

**(4) NTS SO revenue adjustment factor ( $SOK_t$ )**

For the purposes of paragraph 14(3) of Part 2 of this Special Condition, the NTS system operation revenue adjustment factor (whether of a positive or negative value) in respect of formula year t ( $SOK_t$ ) shall be derived in the following manner:

In respect of the formula year commencing on 1 April 2002,

$$SOK_t = 0$$



Otherwise:

$$SOK_t = (SOR_{t-1} - SOMR_{t-1}) \times (1 + I_t/100)$$

where:

$SOR_{t-1}$  shall have the meaning given to the term  $SOR_t$  in paragraph 13(1) of Part 2 of this Special Condition where t equals t-1;

$SOMR_{t-1}$  shall have the meaning given to the term  $SOMR_t$  in paragraph 14(1) of Part 2 of this Special Condition where t equals t-1; and

$I_t$  shall have the meaning given to that term in paragraph 3(2) of Part 1 a of this Special Condition.

**(5) Entry capacity investment incentive revenue (ECIIR<sub>t</sub>)**

**(a) Principal formula**

For the purposes of paragraph 14(2) of Part 2 of this Special Condition the maximum entry capacity investment incentive revenue allowed to the licensee in respect of formula year  $t$  (ECIIR<sub>t</sub>) shall be derived in the following manner:

If  $t \leq 5$  then:

$$ECIIR_t = \sum_{\text{all } j} \text{SOREVOIEC}_t^j$$

Otherwise:

$$ECIIR_t = \sum_{\text{all } j} \text{SOREVOIEC}_t^j + \frac{RI_t}{RI_0} \sum_{\text{all } j, m=12t-11}^{12t} \text{SOREVIBEC}_m^j$$

where:

$\text{SOREVOIEC}_t^j$  means the maximum NTS system operation incentive revenue from the sale of obligated incremental entry capacity in respect of formula year  $t$  at terminal  $j$  and shall be derived in accordance with paragraph 14(5)(d) of Part 2 of this Special Condition;

$\sum_{\text{all } j} \text{SOREVOIEC}_t^j$  means the sum across all terminals  $j$  of  $\text{SOREVOIEC}_t^j$ ;

$RI_t$  means the arithmetic average of the retail price index published or determined with respect to each of the six months from July to December (both inclusive) in formula year  $t-1$ ;

$RI_0$  means 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;

$SOREVIBEC_m^j$  means the NTS system operator incentive revenue from the sales of permanent obligated incremental entry capacity in respect of periods where month  $m$  is more than 5 years after the first month to which capacity relates and in respect of terminal  $j$  that is included in the calculation of NTS SO baseline entry capacity pursuant to paragraph 14(5)(g) of Part 2 of this Special Condition and shall be derived from the following formula:

$$SOREVIBEC_m^j = \sum_{p=60}^{(m-1)} \left[ \left( \sum_{w=0}^{Q^1} IPOEC_{(m-p),w}^j \right) \times \frac{UCAG^j}{12} \times \left( OPEX + \frac{1}{UEL} + \frac{ARR}{2UEL} \left[ 2 \left[ UEL - \beta - RND \left( \frac{p}{12} \right) \right] - 1 \right] \right) \right]$$

where:

$Q^1$  means the number of days between 1 April 2002 and the first day of month  $m$  (and for the avoidance of doubt when month  $m$  is April 2002  $Q^1$  shall have the value zero (0));

$IPOEC_{(m-p),w}^j$  shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

$\sum_{p=60}^{(m-1)} \gamma_p$  means the sum calculated in the following manner:

$$\sum_{p=60}^{(m-1)} \gamma_p = \gamma_{60} + \gamma_{61} + \dots + \gamma_{m-1}$$

where:

$$\gamma_p = \left( \sum_{w=0}^{Q^1} \text{IPOEC}_{(m-p),w}^j \right) \times \frac{\text{UCAG}^j}{12} \times \left( \text{OPEX} + \frac{1}{\text{UEL}} + \frac{\text{ARR}}{2\text{UEL}} \left[ 2 \left[ \text{UEL} - \beta - \text{RND} \left( \frac{p}{12} \right) \right] - 1 \right] \right)$$

where:

$\sum_{w=0}^{Q^1} (\text{IPOEC}_{(m-p),w}^j)$  means the sum calculated in the following manner:

$$\sum_{w=0}^{Q^1} (\text{IPOEC}_{(m-p),w}^j) = \text{IPOEC}_{(m-p),0}^j + \text{IPOEC}_{(m-p),1}^j + \dots + \text{IPOEC}_{(m-p),Q^1}^j$$

**UCAG<sup>j</sup>** means the unit cost allowance in pounds per kilowatt hour in respect of terminal j and has the value set out in the following tables:

<b>Terminal j</b>	<b>UCAG<sup>j</sup> (£/kWh)</b>
Bacton	0.182
Barrow	0.014
Easington	0.034
St. Fergus	0.639
Teesside	0.059
Theddlethorpe	0.031
Glenmavis	0.532
Partington	0.009
Avonmouth	0.064
Isle of Grain	0.186
Dynevor Arms	0.000
Hornsea	0.153
Hatfield Moor	0.042

(storage)	
Hatfield Moor (onshore)	0.042
Cheshire	0.003
Hole House Farm	0.002
Wytch Farm	0.000
Burton Point	0.002
Barton Stacey	0.000
Garton	0.039

Terminal j	UCAG <sup>j</sup> (£/kWh)	UCAG <sup>j</sup> (£/kWh)
Milford Haven	0.343 where PRIORCIOEC <sup>j</sup> <sub>m</sub> ≤ 500 GWh/d	0.257 where PRIORCIOEC <sup>j</sup> <sub>m</sub> > 500 GWh/d

PRIORCIOEC<sup>j</sup><sub>m</sub> shall mean the cumulative obligated incremental entry capacity in respect of each day in month m at terminal j at a date to be determined by the Authority.

OPEX has a value equal to 0.015;

UEL has a value equal to 45;

ARR has a value equal to 0.0625;

$\beta$  has a value equal to 0.2; and

RND(x) means the value of x rounded down to the next integer value; and

$\sum_{\text{all } j} \sum_{m=12t-11}^{12t} \text{SOREVIBEC}_m^j$  means the sum across all terminals j of  $\sum_{m=12t-11}^{12t} \text{SOREVIBEC}_m^j$ ; and

$\sum_{m=12t-11}^{12t} \text{SOREVIBEC}_m^j$  means the sum across all months m in formula year t at terminal j of SOREVIBEC<sup>j</sup><sub>m</sub> calculated in the following manner:

$$\sum_{m=12t-11}^{12t} \text{SOREVIBEC}_m^j = \text{SOREVIBEC}_{(12t-11)}^j + \text{SOREVIBEC}_{(12t-10)}^j + \dots + \text{SOREVIBEC}_{12t}^j$$

**(b) Determination of obligated incremental entry capacity**

(i) In this paragraph 14(5)(b) of Part 2 of this Special Condition:

proposal means a proposal by the licensee to undertake to sell or to offer for sale entry capacity additional to the then current level of obligated entry capacity and for such entry capacity to be treated as obligated incremental entry capacity for the purposes of Part 2 of this Special Condition.

(ii) Where the licensee reasonably believes that there is or will be demand for firm entry capacity additional to the then current level of obligated entry capacity as a result of calculations carried out in accordance with its prevailing incremental entry capacity release methodology, established pursuant to Special Condition 34, (Licensee's methodology for determining incremental entry capacity volumes), it may apply for that additional firm entry capacity to be treated as obligated incremental entry capacity for the purposes of Part 2 of this Special Condition in accordance with the following paragraphs.

(v) The licensee shall make a written application to the Authority in respect of each specific proposal to make available obligated incremental entry capacity for sale which shall include, in sufficient detail to enable the Authority to decide whether to make the direction referred to in sub-paragraph 14(5)(b)(vii) of Part 2 of this Special Condition, the following:

- (aa) The inputs that have been applied to the incremental entry capacity release methodology;
- (bb) The results of applying the incremental entry capacity release methodology and the rationale for why the licensee believes implementation of the proposal is justified;
- (cc) The terminal to which the proposal relates;
- (dd) The volume of firm entry capacity subject to the proposal;
- (ee) The duration for which the licensee will be obliged to offer for sale the firm entry capacity subject to the proposal (for the avoidance of doubt this must be at least one year);
- (ff) The first month in respect of which the firm entry capacity subject to the proposal would relate (for the avoidance of doubt, the capacity will be deemed to be available from the first day of this month);
- (gg) The amount of capital expenditure which the licensee reasonably expects to incur in implementing the proposal;
- (hh) A technical description of the manner in which the licensee proposes to provide the firm entry capacity subject to the proposal;
- (ii) The day on which the obligation to offer for sale such capacity would commence; and
- (jj) 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, giving their opinion as to the extent to which the licensee has complied with its incremental entry capacity

release methodology specified and the reasonableness of the inputs used.

- (vi) The licensee shall keep a record of each application made pursuant to paragraph 14(5)(b)(iii) of Part 2 of this Special Condition.
- (vii) The licensee shall provide the Authority with such additional information as the Authority requests for the purposes of ascertaining whether it is reasonable to conclude that there is sufficient demand to justify implementation of the proposal.
- (viii) Where the licensee's calculations pursuant to its incremental entry capacity release methodology demonstrate that all the relevant criteria as specified in its incremental entry capacity release methodology for releasing incremental entry capacity have been met, the licensee shall implement the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition in accordance with the timetable set out in that proposal commencing 5 business days from receipt by the Authority of written application under paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, unless the Authority notifies the licensee in writing before that date to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition contained insufficient information for it to determine whether all of the relevant criteria as specified in its incremental entry capacity release methodology have been met.
- (ix) Where the Authority has notified the licensee under paragraph 14(5)(b)(vi) in Part 2 of this Special Condition to suspend implementation of the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition the licensee shall implement the proposal, subject to any amendments which may have been agreed between the licensee and the Authority, in accordance with the timetable set out in that proposal commencing 28 days from



receipt by the Authority of written application under paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, unless the Authority directs the licensee in writing before that date not to implement the proposal or prior to the end of the 28 days the Authority directs the licensee in writing to implement the proposal (subject to any amendments as may have been agreed with the Authority) at an earlier date.

- (x) Pursuant to a proposal made by the licensee under paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, and implemented in accordance with paragraph 14(5)(b)(vi) or (vii) in Part 2 of this Special Condition, as the case may be, the licensee shall treat as:
  - (aa) permanent obligated incremental entry capacity that capacity which it has proposed to offer for sale in respect of every day of a period of five years or more; and
  - (bb) annual obligated incremental capacity, that capacity which it has proposed to offer for sale in respect of every day of a period of less than five years

and shall be obliged to offer such capacity for sale from the date specified in such proposal (as may have been amended in accordance with paragraph 14(5)(b)(vii) in Part 2 of this Special Condition) in accordance with paragraphs 14(5)(c) and 14(5)(f) in Part 2 of this Special Condition;

- (xi) The licensee may withdraw a proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition within 5 business days from receipt by the Authority of that proposal. Where the Authority has notified the licensee under paragraph 14(5)(b)(vi) in Part 2 of this Special Condition to suspend implementation of the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this Special Condition, the licensee may withdraw such a proposal within 28 days from

receipt by the Authority of that proposal unless the Authority has otherwise directed the licensee to implement the proposal; and

- (xii) For the avoidance of doubt where the Authority has made a direction not to implement the proposal under paragraph 14(5)(b)(vii) in Part 2 of this Special Condition the licensee shall remain entitled to make available firm entry capacity additional to the then current level of obligated entry capacity and any such additional firm entry capacity sold by the licensee shall be treated as non-obligated incremental entry capacity.

**(c) The allocation of firm entry capacity**

- (i) The licensee shall use all reasonable endeavours to ensure that by 1 February 2003 it has offered for sale all long-term NTS SO baseline entry capacity available in respect of at least formula years 1 to 5 inclusive in one or more allocations, such allocations having been duly notified in accordance with paragraph 14(5)(c)(iv) in Part 2 of this Special Condition.
- (ii) The licensee shall use all reasonable endeavours to offer for sale all obligated entry capacity in at least one clearing allocation such allocation or allocations having been duly notified in accordance with paragraph 14(5)(c)(iv) in Part 2 of this Special Condition, for the avoidance of doubt where a clearing allocation would contravene the provisions of amended standard condition 4 (Charging Gas Shippers - General) the licensee shall allocate such capacity in accordance with provisions of amended standard condition 4A(5)(aa)(ii) (Charging Gas Shippers - General).
- (iii) Where the licensee serves a termination notice (having the meaning given to that term in the licensee's Network Code) on a shipper (the terminated shipper), the licensee shall:

- (aa) use all reasonable endeavours to offer for sale, in at least one clearing allocation (for the avoidance of doubt where a clearing allocation would contravene the provisions of amended standard condition 4 (Charging Gas Shippers - General) the licensee shall allocate such capacity in accordance with provisions of amended standard condition 4A(5)(aa)(ii) (Charging Gas Shippers - General)), any such obligated entry capacity relating to any day that has not commenced that was held by the terminated shipper and which obligated capacity has not been registered to another shipper pursuant to section B (System use and capacity) of the licensee's Network Code, such clearing allocations having been duly notified in accordance with paragraph 14(5)(c)(iv) in Part 2 of this Special Condition; and
  
- (bb) at the earliest possible opportunity, submit a written proposal to the Authority, for approval by the Authority, in relation to the allocation of revenues derived from the sale of capacity pursuant to sub-paragraph (aa) of this paragraph, between  $REVBEC_{m,d,w}^j$  and  $REVOIEC_{m,d,w}^j$  (as the same are defined in paragraph 14(5)(i) of Part 2 of this Special Condition) for each day d of month m to which the capacity relates, for each of the allocations occurring w days prior to day d of month m which proposal shall be reviewed, revised (if necessary in the Authority's opinion) and, if approved by the Authority, implemented.
  
- (iv) An allocation has been duly notified for the purposes of paragraphs 14(5)(c)(i), (ii) and (iii) of Part 2 of this Special Condition if the licensee has in accordance with the licensee's Network Code notified shippers of the allocations forthcoming occurrence.
  
- (v) Revenue derived by the licensee from the sale of obligated incremental entry capacity may only be taken into account, except where the

Authority otherwise accepts, in the calculation of  $ECIIR_t$  to the extent that the capacity to which it relates has been offered for sale by the licensee in accordance with paragraphs 14(5)(c) (ii) and where applicable (iii) above and paragraph 14(5)(f)(ii) in Part 2 of this Special Condition.

(vi) To the extent that any revenue derived by the licensee from the sale of obligated incremental entry capacity is not taken into account in the calculation of  $REVOIEC_t$  or  $SOREVOIEC_t$  pursuant to paragraph 14(5)(c)(v) above, in respect of formula year t, it shall be taken into account in the calculation of  $REVBEC_t$ .

**(d) NTS system operation incentive revenue in respect of obligated incremental entry capacity ( $SOREVOIEC_t^j$ )**

For the purposes of paragraph 14(5)(a) of Part 2 of this Special Condition, the maximum NTS system operation incentive revenue from the sale of obligated incremental entry capacity in respect of formula year t at terminal j ( $SOREVOIEC_t^j$ ) shall be derived from the following formula:

$$SOREVOIEC_t^j =$$

$$\text{MIN} \left[ \text{CAPOIEC}_t^j, \text{MAX} \left( \text{COLOIEC}_t^j, \sum_{m=12t-11}^{12t} \left( \sum_{\text{All } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j \right) - \text{DQREV}_t^j \right) \right]$$

where:

$\text{MIN}(x,y)$  means the value equal to the lesser of x and y;

$\text{CAPOIEC}_t^j$  means the maximum entry capacity investment incentive revenue allowed to the licensee in respect of sales of obligated incremental entry capacity in respect of formula year t at terminal

j, and shall be derived in accordance with paragraph 14(5)(e) in Part 2 of this Special Condition;

MAX(x,y) means the value equal to the greater of x and y;

COLOIEC<sub>t</sub><sup>j</sup> means the minimum entry capacity investment incentive revenue allowed to the licensee in respect of sales of obligated incremental entry capacity in respect of formula year t at terminal j, and shall be derived in accordance with paragraph 14(5)(h) in Part 2 of this Special Condition;

Q<sup>d</sup> means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002 Q<sup>d</sup> shall have the value zero (0));

REVOIEC<sub>m,d,w</sub><sup>j</sup> means the entry capacity incentive revenue derived by the licensee in respect of sales of obligated incremental entry capacity in respect of day d of month m for terminal j made w days in advance of day d and shall be derived in accordance with paragraph 14(5)(i) of Part 2 of this Special Condition; and

$\sum_{m=12t-11}^{12t} \left( \sum_{\text{All } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j \right)$  means the sum across all months m in formula year t of  $\sum_{\text{All } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$  and shall be calculated in the following manner:

$$\sum_{m=12t-11}^{12t} \left( \sum_{\text{All } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j \right) =$$

$$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{(12t-11),d,w}^j + \sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{(12t-10),d,w}^j + \dots + \sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{12t,d,w}^j$$

where:

$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$  means the sum across all days  $d$  in month  $m$  of  $\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$  for each terminal  $j$  and shall be calculated in the following manner:

$$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j = \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,1,w}^j + \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,2,w}^j + \dots + \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,D,w}^j$$

where:

$D$  means the number of days in month  $m$ ; and

$\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$  means the sum across all days  $w$  between day  $d$  of month  $m$  and 1 April 2002 of  $\text{REVOIEC}_{m,d,w}^j$  and shall be calculated in the following manner:

$$\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j = \text{REVOIEC}_{m,d,1}^j + \text{REVOIEC}_{m,d,2}^j + \dots + \text{REVOIEC}_{m,d,Q^d}^j$$

DQREV<sub>t</sub><sup>j</sup> means the sum of all revenue derived by the licensee in formula year t from the sale of obligated incremental entry capacity in respect of terminal j that has not been taken into account in the calculation of REVOIEC<sub>t</sub> pursuant to paragraph 14(5)(c)(vi) of Part 2 of this Special Condition.

(e) **The maximum entry capacity investment incentive revenue (CAPOIEC<sub>t</sub><sup>j</sup>)**

For the purposes of paragraph 14(5)(d) of Part 2 of this Special Condition, the maximum entry capacity investment incentive revenue allowed to the licensee in respect of obligated incremental entry capacity in respect of formula year t at terminal j (CAPOIEC<sub>t</sub><sup>j</sup>) shall be derived from the following formula:

CAPOIEC<sub>t</sub><sup>j</sup> =

$$\frac{RI_t}{RI_0} \times \left( \sum_{m=12t-11}^{12t} \left( \sum_{\text{all } d} \left( \text{MAX} \left( \text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right) \right) \right) \times \text{UCACAP}_t^j$$

where:

RI<sub>t</sub> shall have the meaning given to that term in paragraph 14(5)(a) of Part 2 of this Special Condition;

RI<sub>0</sub> shall have the meaning given to that term in paragraph 14(5)(a) of Part 2 of this Special Condition;

MAX(x,y) means the value equal to the greater of x and y;

CIOEC<sub>m,0</sub><sup>j</sup> means the total obligated incremental entry capacity in

respect of month m at terminal j and shall be derived in accordance with paragraph 14(5)(g) of Part 2 of this Special Condition where w is equal to zero;

$OSELL_{m,d,0}^j$  means that obligated entry capacity in respect of day d of month m at terminal j which the licensee on day d continues to have an obligation to offer for sale and shall be derived in accordance with paragraph 14(5)(f) of Part 2 of this Special Condition where w is equal to zero; and

$UCACAP_t^j$  means the entry capacity unit cost multiplier relating to the maximum allowed entry capacity investment incentive revenue in respect of each day of formula year t and terminal j and shall be derived from the following formula:

$$UCACAP_t^j = UCAG^j \times \frac{UCACAPCONV}{y_t}$$

where:

$UCAG^j$  means the entry capacity unit cost allowance in respect of terminal j and has the value set out in paragraph 14(5)(a) in Part 2 of this Special Condition;

$UCACAPCONV$  has a value equal to 0.17438; and

$y_t$  means the number of days in formula year t.

$\sum_{m=12t-11}^{12t} \left( \sum_{\text{all } d} \left( \text{MAX} \left( \text{CIOEC}_{m,0}^j - OSELL_{m,d,0}^j, 0 \right) \right) \right)$  means the sum across all months m in formula year t of



$$\sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0)) \text{ and}$$

shall be calculated in the following manner:

$$\begin{aligned} \sum_{m=12t-11}^{12t} \left( \sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0)) \right) = \\ \left( \sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{(12t-11),0}^j - \text{OSELL}_{(12t-11),d,0}^j, 0)) \right) \\ + \left( \sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{(12t-10),0}^j - \text{OSELL}_{(12t-10),d,0}^j, 0)) \right) \\ + \dots + \left( \sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{12t,0}^j - \text{OSELL}_{12t,d,0}^j, 0)) \right) \end{aligned}$$

where:

$\sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0))$  means the sum across all days d in month m of  $(\text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0))$  and shall be calculated in the following manner:

$$\begin{aligned} \sum_{\text{all } d} (\text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0)) = \\ \text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,1,0}^j, 0) \\ + \text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,2,0}^j, 0) + \\ \dots + \text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,D,0}^j, 0) \end{aligned}$$

where:

D means the number of days in month m.

- (f) **Obligated entry capacity for which the licensee still has an obligation to offer for sale**

**(i) Calculation of obligated entry capacity for which the licensee still has an obligation to offer for sale ( $OSELL_{m,d,w}^j$ )**

For the purposes of paragraph 14(5)(e) of Part 2 of this Special Condition, the obligated entry capacity which the licensee continues to have an obligation to offer for sale in respect of day d of month m at terminal j during the day that is w days in advance of day d ( $OSELL_{m,d,w}^j$ ) shall be derived from the following formula:

$$OSELL_{m,d,w}^j = TOEC_{m,w}^j - \sum_{W=w}^{Q^d} OMET_{m,d,W}^j - \text{Min}(PRIORSELL_{m,d}^j, TOEC_{m,w}^j)$$

where:

$TOEC_{m,w}^j$  shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

$Q^d$  means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002  $Q^d$  shall have the value zero (0))

$OMET_{m,d,W}^j$  means the obligated entry capacity in respect of day d of month m at terminal j in respect of which the licensee has fulfilled its obligation to sell or offer for sale that obligated entry capacity in any allocations occurring W days in advance of day d of month m and shall be derived in the following manner:

On 1 April 2002:

$$\text{OMET}_{m,d,W}^j = \text{MIN} \left( \left[ \text{CAPOFFER}_{m,d,W}^j + \text{CAPSALE}_{m,d,W}^j \right], \left[ \text{TOEC}_{m,W}^j - \text{MIN} \left( \text{PRIORSELL}_{m,d}^j, \text{TOEC}_{m,W}^j \right) \right] \right)$$

Otherwise:

$$\text{OMET}_{m,d,W}^j = \text{MIN} \left( \left[ \text{CAPOFFER}_{m,d,W}^j + \text{CAPSALE}_{m,d,W}^j \right], \left[ \text{TOEC}_{m,W}^j - \sum_{\varpi=W+1}^{Q^d} \text{OMET}_{m,d,\varpi}^j - \text{MIN} \left( \text{PRIORSELL}_{m,d}^j, \text{TOEC}_{m,W}^j \right) \right] \right)$$

where:

$\text{CAPOFFER}_{m,d,W}^j$  means that entry capacity in respect of day d of month m and terminal j offered for sale in clearing allocations occurring W days in advance of day d of month m;

$\text{CAPSALE}_{m,d,W}^j$  means that entry capacity in respect of day d of month m and terminal j sold in allocations other than clearing allocations occurring W days in advance of day d of month m;

$\sum_{\varpi=W+1}^{Q^d} \text{OMET}_{m,d,\varpi}^j$  means the sum across all days  $\varpi$  between W+1 and  $Q^d$  of  $\text{OMET}_{m,d,W}^j$  and shall be calculated in the following manner:

$$\sum_{\sigma=W+1}^{Q^d} \text{OMET}_{m,d,\sigma}^j =$$

$$\text{OMET}_{m,d,(W+1)}^j + \text{OMET}_{m,d,(W+2)}^j + \dots + \text{OMET}_{m,d,Q^d}^j$$

MIN (x,y) means the value equal to the lesser of x and y;  
and

PRIORSELL<sub>m,d</sub><sup>j</sup> means that entry capacity, measured in kWh, in respect of day d of month m and terminal j allocated in any allocation occurring prior to 1 April 2002.

**(ii) Obligation to offer for sale obligated entry capacity**

- (a) In respect of any terminal j the licensee has an obligation to offer for sale obligated entry capacity at the commencement of the day to which it relates (that is,  $\text{OSELL}_{m,d,0}^j > 0$  at 06:00 on day d) the licensee shall use all reasonable endeavours to offer for sale all such capacity to shippers such that  $\text{OSELL}_{m,d,0}^j = 0$  at the end of day d of month m, for the avoidance of doubt, where such an allocation would contravene the provisions of amended standard condition 4 (Charging Gas Shippers – General) the licensee shall allocate such capacity in accordance with the provisions of amended standard condition 4A(5)(aa)(ii) (Charging Gas Shippers – General);
- (b) Where the licensee has complied with its obligations pursuant to paragraph 14(5)(f)(ii)(a) of Part 2 of this Special Condition then at the end of day d of month m  $\text{OSELL}_{m,d,0}^j$  shall have a value equal to zero.

**(g) Calculation of obligated entry capacity (TOEC<sub>m,w</sub><sup>j</sup>)**

For the purposes of paragraph 14(5)(f) of Part 2 of this Special Condition, the obligated entry capacity in respect of month m at terminal j as at w days in advance of the first day of month m (TOEC<sub>m,w</sub><sup>j</sup>) shall be derived from the following formula:

$$\text{TOEC}_{m,w}^j = \text{MOEC}_{m,w}^j + \text{CIOEC}_{m,w}^j$$

where:

MOEC<sub>m,w</sub><sup>j</sup> means the NTS SO baseline entry capacity in respect of month m at terminal j as at w days in advance of the first day of month m (for the avoidance of doubt m=1 is April 2002) and shall be derived in the following manner:

If m > 60:

$$\text{MOEC}_{m,w}^j = \text{LBEC}_m^j + \alpha(\text{SBEC}_m^j) + \left( \sum_{p=60}^{(m-1)} \sum_{W=0}^{Q^1} \text{IPOEC}_{(m-p),W}^j \right)$$

Otherwise:

$$\text{MOEC}_{m,w}^j = \text{LBEC}_m^j + \alpha(\text{SBEC}_m^j)$$

where:

LBEC<sub>m</sub><sup>j</sup> means the long-term NTS SO baseline entry capacity measured in kWh in respect of month m at terminal j and shall be derived from the following formula:

$$\text{LBEC}_m^j = (1 - \text{STR}_m^j) \times \text{IBEC}_m^j \times 1,000,000$$

where:

STR<sub>m</sub><sup>j</sup> has the value 0.2; and

$IBEC_m^j$  means the initial NTS SO baseline entry capacity in respect of month m at terminal j and shall have the value set out in table A2 of schedule A;

$\alpha$  equals one (1) if  $w < 548$ , otherwise it equals zero (0);

$SBEC_m^j$  means the short-term NTS SO baseline entry capacity measured in kWh in respect of month m at terminal j and shall be derived from the following formula:

$$SBEC_m^j = STR_m^j \times IBEC_m^j \times 1,000,000$$

where:

$STR_m^j$  has the meaning given above;  
and

$IBEC_m^j$  has the meaning given above;

$Q^1$  means the number of days between 1 April 2002 and the first day of month m (and for the avoidance of doubt when month m is April 2002  $Q^1$  shall have the value zero (0));

$IPOEC_{(m-p), W}^j$  means that permanent obligated incremental entry capacity, measured in kWh, in respect of terminal j which is first delivered in month (m-p) and in respect of which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the

first month to which such capacity relates;  
and

$\sum_{p=60}^{(m-1)} \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j)$  means the sum across all permanent obligated incremental entry capacity in respect of terminal j, for which the first month to which it relates is month (m-p), that the licensee has undertaken to offer for sale or sell as at W days prior to the first day of month m (provided that month (m-p) is not prior to April 2002) and shall be calculated in the following manner:

$$\begin{aligned} \sum_{p=60}^{(m-1)} \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j) = & \\ & \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-60),W}^j) + \sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-61),W}^j) \\ & + \dots + \sum_{W=0}^{Q^1} (\text{IPOEC}_{1,W}^j) \end{aligned}$$

where:

$\sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j)$  means the sum across all days W between the first day of the first month to which such capacity relates and 1 April 2002 of  $\text{IPOEC}_{(m-p),W}^j$  and shall be calculated in the following manner:

$$\sum_{W=0}^{Q^1} (\text{IPOEC}_{(m-p),W}^j) = \text{IPOEC}_{(m-p),0}^j + \text{IPOEC}_{(m-p),1}^j + \dots + \text{IPOEC}_{(m-p),Q^1}^j$$

$\text{CIOEC}_{m,w}^j$  means the cumulative obligated incremental entry capacity in respect of every day in month m at terminal j as at w days in advance of the first day of month m and is derived from the following formula:

$$\text{CIOEC}_{m,w}^j = \sum_{p=0}^{\text{MIN}((m-1),59)} \sum_{W=w}^{Q^1} (\text{IPOEC}_{(m-p),W}^j) + \sum_{p=0}^{\text{MIN}((m-1),11)} \sum_{W=w}^{Q^1} (\text{IAOEC}_{(m-p),W}^j)$$

where:

$\text{MIN}(x,y)$  means the value equal to the lesser of x and y;

$\text{IPOEC}_{(m-p),W}^j$  has the meaning given above

$\text{IAOEC}_{(m-p),W}^j$  means that annual obligated incremental entry capacity, measured in kWh in respect of terminal j which is first delivered in month (m-p) and in respect of which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the first month to which such capacity relates.

$\sum_{p=0}^{\text{MIN}((m-1), \varphi)} \sum_{W=w}^{Q^1} (\lambda_{(m-p),W}^j)$  means the sum across all incremental obligated entry capacity  $\lambda_{(m-p),W}^j$  (where  $\lambda$  equals



IPOEC or IAOEC as the case may be) for which the first month to which it relates is month (m-p), that the licensee has undertaken to offer for sale or sell as at W days prior to the first day of month m (provided that month (m-p) is not prior to April 2002) and shall be calculated in the following manner:

$$\sum_{p=0}^{\text{MIN}((m-1), \varphi)} \sum_{W=w}^{Q^1} (\lambda_{(m-p), W}^j) = \sum_{W=w}^{Q^1} (\lambda_{m, W}^j) + \sum_{W=w}^{Q^1} (\lambda_{(m-1), W}^j) + \dots + \sum_{W=w}^{Q^1} (\lambda_{(m-\text{MIN}((m-1), \varphi)), W}^j)$$

where:

$\varphi$  takes a value of 59 where  $\lambda$  equals IPOEC and a value of 11 where  $\lambda$  equals IAOEC;

$\sum_{W=w}^{Q^1} (\lambda_{(m-p), W}^j)$  means the sum across all days W between w and 1 April 2002 of  $\lambda_{(m-p), W}^j$  and shall be calculated in the following manner:

$$\sum_{W=w}^{Q^1} (\lambda_{(m-p), W}^j) = \lambda_{(m-p), w}^j + \lambda_{(m-p), (w+1)}^j + \dots + \lambda_{(m-p), Q^1}^j$$

**(h) The minimum entry capacity investment incentive revenue (COLOIEC<sub>t</sub><sup>j</sup>)**

For the purposes of paragraph 14(5)(d) of Part 2 of this Special Condition, the minimum entry capacity investment incentive revenue allowed to the licensee in respect of formula year t at terminal j (COLOIEC<sub>t</sub><sup>j</sup>) shall be derived from the following formula:

$$\text{COLOIEC}_t^j = \frac{\text{RI}_t}{\text{RI}_0} \times \left( \sum_{m=12t-11}^{12t} \left( \sum_{\text{all } d} \left( \text{MAX}(\text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0) \right) \right) \right) \times \text{UCACOL}_t^j$$

where:

RI<sub>t</sub> shall have the meaning given to that term in paragraph 14(5)(a) of Part 2 of this Special Condition;

RI<sub>0</sub> shall have the meaning given to that term in paragraph 14(5)(a) of Part 2 of this Special Condition;

MAX(x,y) means the value equal to the greater of x and y;

CIOEC<sub>m,0</sub><sup>j</sup> shall have the meaning given to the term CIOEC<sub>m,w</sub><sup>j</sup> in paragraph 14(5)(g) of Part 2 of this Special Condition where w is equal to zero;

OSELL<sub>m,d,0</sub><sup>j</sup> shall have the meaning given to the term OSELL<sub>m,d,w</sub><sup>j</sup> in paragraph 14(5)(f) of Part 2 of this Special Condition where w is equal to zero;

$\sum_{m=12t-11}^{12t} \left( \sum_{\text{all } d} \left( \text{MAX} \left( \text{CIOEC}_{m,0}^j - \text{OSELL}_{m,d,0} \right), 0 \right) \right)$  shall have the meaning given to that term in paragraph 14(5)(e) of Part 2 of this Special Condition; and

$\text{UCACOL}_t^j$  means the entry capacity unit cost multiplier relating to the entry capacity investment incentive revenue collar in respect of each day of formula year t and terminal j and shall be derived from the following formula:

$$\text{UCACOL}_t^j = \text{UCAG}^j \times \frac{\text{UCACOLCONV}}{y_t}$$

where:

$\text{UCAG}^j$  means the entry capacity unit cost allowance in respect of terminal j and has the value set out in paragraph 14(5)(a) in Part 2 of this Special Condition;

$y_t$  means the number of days in formula year t; and

$\text{UCACOLCONV}$  has a value equal to 0.09661.

**(i) Calculation of entry capacity incentive revenue ( $\text{REVOIEC}_{m,d,w}^j$ )**

- (i) Except where paragraph 14(5)(c)(vi) of Part 2 of this Special Condition or sub-paragraph (aa) below applies, the entry capacity incentive revenue in respect of sales of obligated incremental entry capacity in respect of day d of month m and terminal j made w days in advance of day d ( $\text{REVOIEC}_{m,d,w}^j$ ) shall be derived in the manner set out in sub-paragraphs (ii), (iii) and (iv);

- (aa) In the case of revenues from the sales of obligated incremental entry capacity which have been sold pursuant to paragraph 14(5)(c)(iii)(aa) of Part 2 of this Special Condition, then, for the purposes of this paragraph only, such revenues shall only be included in the calculation of entry capacity incentive revenue where the Authority has so agreed, pursuant to paragraph 14(5)(c)(iii)(bb) of Part 2 of this Special Condition.
- (ii) Firm entry capacity in respect of day d of month m at terminal j allocated w days in advance of day d shall be defined as either  $SOLDBEC_{m,d,w}^j$ ,  $SOLDOIEC_{m,d,w}^j$  or  $SOLDIEC_{m,d,w}^j$  in accordance with the following sub-paragraphs of this paragraph 14(5)(i)(ii) of Part 2 of this Special Condition;

- (aa) Allocated volumes of NTS SO baseline entry capacity ( $SOLDBEC_{m,d,w}^j$ )

The NTS SO baseline entry capacity in kilowatt hours per day in respect of day d of month m at terminal j allocated w days in advance of day d shall be derived from the following formula:

$$SOLDBEC_{m,d,w}^j =$$

$$\text{MIN} \left( \text{CAPSOLD}_{m,d,w}^j, \left( \text{MOEC}_{m,w}^j - \sum_{W=w+1}^{Q^d} \text{SOLDBEC}_{m,d,W}^j \right) \right)$$

where:

$\text{MIN}(x, y)$  means the value equal to the lesser of x and y;

$\text{CAPSOLD}_{m,d,w}^j$  means that entry capacity in respect of day d of month m and terminal j sold in allocations occurring w days

in advance of day d of month m;

$MOEC_{m,w}^j$  shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

$Q^d$  means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002  $Q^d$  shall have the value zero (0)); and

$\sum_{W=w+1}^{Q^d} SOLDBEC_{m,d,W}^j$  means the sum across days W between (w+1) and 1 April 2002 of  $SOLDBEC_{m,d,W}^j$  and shall be calculated in the following manner:

$$\sum_{W=w+1}^{Q^d} SOLDBEC_{m,d,W}^j =$$

$$SOLDBEC_{m,d,(w+1)}^j + SOLDBEC_{m,d,(w+2)}^j$$

$$+ \dots + SOLDBEC_{m,d,Q^d}^j$$

Where more than one allocation occurs on day w, values for  $SOLDBEC_{m,d,W}^j$ , shall be separately calculated in chronological order of the allocations, for each allocation.

(bb) Allocated volumes of obligated incremental entry capacity ( $SOLDOIEC_{m,d,w}^j$ )

The obligated incremental entry capacity in kilowatt hours per day in respect of day d of month m at terminal j allocated w days in advance of day d shall be derived from the following formula:

SOLDOIEC<sub>m,d,w</sub><sup>j</sup> =

$$\text{MIN} \left( \text{CAPSOLD}_{m,d,w}^j - \text{SOLDBEC}_{m,d,w}^j, \left( \text{CIOEC}_{m,w}^j - \sum_{W=w+1}^{Q^d} \text{SOLDOIEC}_{m,d,W}^j \right) \right)$$

where:

MIN(x,y) means the value equal to the lesser of x and y;

CAPSOLD<sub>m,d,w</sub><sup>j</sup> shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this Special Condition;

SOLDBEC<sub>m,d,w</sub><sup>j</sup> shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this Special Condition;

CIOEC<sub>m,w</sub><sup>j</sup> shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

Q<sup>d</sup> means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002 Q<sup>d</sup> shall have the value zero (0)); and

$\sum_{W=w+1}^{Q^d} \text{SOLDOIEC}_{m,d,W}^j$  means the sum across days W between (w+1) and 1 April 2002 of SOLDOIEC<sub>m,d,W</sub><sup>j</sup> and shall be calculated in the following manner:

$$\sum_{W=W+1}^{Q^d} \text{SOLDOIEC}_{m,d,W}^j =$$

$$\text{SOLDOIEC}_{m,d,(w+1)}^j + \text{SOLDOIEC}_{m,d,(w+2)}^j$$

$$+ \dots + \text{SOLDOIEC}_{m,d,Q^d}^j$$

Where more than one allocation occurs on day w, values for  $\text{SOLDOIEC}_{m,d,W}^j$  shall be separately calculated in chronological order of the allocations, for each allocation.

- (cc) Allocated volumes of non-obligated incremental entry capacity ( $\text{SOLDIEC}_{m,d,w}^j$ )

The non-obligated incremental entry capacity in kilowatt hours per day in respect of day d of month m at terminal j allocated w days in advance of day d shall be derived from the following formula:

$$\text{SOLDIEC}_{m,d,w}^j =$$

$$\left( \text{CAPSOLD}_{m,d,w}^j - \text{SOLDBEC}_{m,d,w}^j - \text{SOLDOIEC}_{m,d,w}^j \right)$$

where:

$\text{CAPSOLD}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this Special Condition;

$\text{SOLDBEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this Special Condition; and

$SOLDOIEC_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(bb) of Part 2 of this Special Condition.

Where more than one allocation occurs on day  $w$ , values for  $SOLDIEC_{m,d,w}^j$ , shall be separately calculated in chronological order of the allocations, for each allocation.

- (iii) The NTS SO baseline entry capacity revenue in respect of sales of NTS SO baseline entry capacity in respect of day  $d$  of month  $m$  and terminal  $j$  as at  $w$  days in advance of day  $d$  ( $REVBEC_{m,d,w}^j$ ) shall be the revenue allocated in respect of  $SOLDBEC_{m,d,w}^j$  where it is assumed that firm entry capacity allocated on day  $d$  of month  $m$  was allocated to shippers in descending order of price accepted to be paid in respect of each allocation of firm entry capacity in chronological order throughout day  $d$  of month  $m$  starting with the highest paid in the amount applied for allocating first up to total volume of  $SOLDBEC_{m,d,w}^j$  then up to total volume of  $SOLDOIEC_{m,d,w}^j$  then up to total volume of  $SOLDIEC_{m,d,w}^j$  ;

where:

$SOLDBEC_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this Special Condition;

$SOLDOIEC_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(bb) of Part 2 of this Special Condition; and

$SOLDIEC_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(cc) of Part 2 of this Special Condition.



(iv) The obligated incremental entry capacity revenue derived by the licensee in respect of sales of obligated incremental entry capacity in respect of day d ( $\text{REVOIEC}_{m,d,w}^j$ ) of month m and terminal j, as at w days in advance of d shall be the revenue allocated in respect of  $\text{SOLDOIEC}_{m,d,w}^j$  where it is assumed that firm entry capacity allocated on day d of month m was allocated to shippers in descending order of price accepted to be paid in respect of each allocation of firm entry capacity in chronological order throughout day d of month m starting with the highest paid in the amount applied for, allocating first up to the total volume of  $\text{SOLDBEC}_{m,d,w}^j$  then up to the total volume of  $\text{SOLDOIEC}_{m,d,w}^j$  then up to the total volume of  $\text{SOLDIEC}_{m,d,w}^j$  ;

where:

$\text{SOLDBEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this Special Condition;

$\text{SOLDOIEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(bb) of Part 2 of this Special Condition; and

$\text{SOLDIEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(ii)(cc) of Part 2 of this Special Condition.

**(j) Non-obligated incremental entry capacity revenue ( $\text{REVIEC}_{m,d,w}^j$ )**

The revenue in respect of non-obligated incremental entry capacity in respect of day d of month m and terminal j as at w days in advance of day d

$(\text{REVIEC}_{m,d,w}^j)$  shall be the revenue derived by the licensee from sales of firm entry capacity other than  $\text{REVOIEC}_{m,d,w}^j$  and  $\text{REVBEC}_{m,d,w}^j$ .

where:

$\text{REVOIEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(iv) of Part 2 of this Special Condition; and

$\text{REVBEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(iii) of Part 2 of this Special Condition;

**(k) Annual revenues from entry capacity sales**

(i) For the purposes of paragraph 2(1) of Part I a of this Special Condition, the total revenues derived by the licensee from sales of baseline entry capacity in respect of formula year t shall be derived from the following formula:

$$\text{REVBEC}_t = \sum_{\text{all } j} \left\{ \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \left( \text{REVBEC}_{m,d,w}^j \times \frac{\text{IBEC}_m^j \times 1,000,000}{\text{MOEC}_{m,0}^j} \right) \right] + \text{DQREV}_t^j \right\} + \text{PRIORREV}_t$$

where:

$\sum_{\text{all } j}$  is the sum across all terminals j;

$Q^d$  means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002  $Q^d$  shall have the value zero (0));

REVBEC<sub>m,d,w</sub><sup>j</sup> shall have the meaning given to that term in paragraph 14(5)(i)(iii) of Part 2 of this Special Condition;

IBEC<sub>m</sub><sup>j</sup> shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

MOEC<sub>m,0</sub><sup>j</sup> shall have the meaning given to the term MOEC<sub>m,w</sub><sup>j</sup> in paragraph 14(5)(g) of Part 2 of this Special Condition where w is equal to zero;

DQREV<sub>t</sub><sup>j</sup> shall have the meaning given to that term in paragraph 14(5)(d) of Part 2 of this Special Condition; and

PRIORREV<sub>t</sub> means the sum of all revenue derived by the licensee from the sale of NTS SO baseline entry capacity in respect of formula year t occurring in any allocations taking place prior to 1 April 2002; and

$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j \right]$  is the sum across all months m in formula year t of  $\sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j$  where

$$\gamma_{m,d,w}^j =$$

$$\text{REVBEC}_{m,d,w}^j \times \frac{\text{IBEC}_m^j \times 1,000,000}{\text{MOEC}_{m,0}^j} \text{ and}$$

shall be calculated in the following manner:

$$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j \right] =$$

$$\sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{(12t-11),d,w}^j + \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{(12t-10),d,w}^j$$

$$+ \dots + \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{12t,d,w}^j$$

where:

$\sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j$  is the sum across all days  $d$  in month  $m$  of

$$\sum_{w=0}^{Q_d} \gamma_{m,d,w}^j$$

where:

$\sum_{w=0}^{Q_d} \gamma_{m,d,w}^j$  shall be calculated in the following manner:

$$\sum_{w=0}^{Q_d} \gamma_{m,d,w}^j = \gamma_{m,d,0}^j + \gamma_{m,d,1}^j + \dots + \gamma_{m,d,Q_d}^j$$

- (ii) For the purposes of paragraph 13(2) of Part 2 of this Special Condition, the total revenues derived by the licensee from sales of obligated incremental entry capacity in respect of formula year  $t$  shall be derived from the following formula:

$$\text{REVOIEC}_t = \sum_{\text{all } j} \left\{ \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \text{REVOIEC}_{m,d,w}^j \right] - \text{DQREV}_t^j \right\}$$

where:

$\sum_{\text{all } j}$  is the sum across all terminals  $j$ ;

$\text{REVOIEC}_{m,d,w}^j$  shall have the meaning given to that term

in paragraph 14(5)(i)(iv) of Part 2 of this Special Condition;

$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j \right]$  shall have the meaning given to that term in paragraph 14(5)(k)(i) of Part 2 of this Special Condition where  $\gamma_{m,d,w}^j = \text{REVOIEC}_{m,d,w}^j$ ; and

$\text{DQREV}_t^j$  shall have the meaning given to that term in paragraph 14(5)(d) of Part 2 of this Special Condition.

- (iii) For the purposes of paragraph 13(2) and 14(7)(b) of Part 2 of this Special Condition, the total revenues derived by the licensee from sales of non-obligated incremental entry capacity in respect of formula year t shall be derived from the following formula:

$$\text{REVIEC}_t = \sum_{\text{all } j} \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \text{REVIEC}_{m,d,w}^j \right]$$

where:

$\sum_{\text{all } j}$  is the sum across all terminals j;  
 $\text{REVIEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(j) of Part 2 of this Special Condition; and

$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j \right]$  shall have the meaning given to that term in paragraph 14(5)(k)(i) of Part 2 of this Special Condition where  $\gamma_{m,d,w}^j = \text{REVIEC}_{m,d,w}^j$ .

- (iv) For the purposes of paragraph 13(2) of Part 2 of this Special Condition, the total revenues derived by the licensee in respect of formula year t from sales of permanent obligated incremental entry capacity in respect of periods more than 5 years after the first day to which such capacity relates shall be derived from the following formula:

$$\text{REVIBEC}_t = \sum_{\text{all } j} \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \left( \text{REVBEC}_{m,d,w}^j \times \left( 1 - \frac{\text{IBEC}_m^j \times 1,000,000}{\text{MOEC}_{m,0}^j} \right) \right) \right]$$

where:

$\sum_{\text{all } j}$  is the sum across all terminals j;  
 $\text{REVBEC}_{m,d,w}^j$  shall have the meaning given to that term in paragraph 14(5)(i)(iii) of Part 2 of this Special Condition;

$\text{IBEC}_m^j$  shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

$\text{MOEC}_{m,0}^j$  shall have the meaning given to the term  $\text{MOEC}_{m,w}^j$  in paragraph 14(5)(g) of Part 2 of this Special Condition where w is equal to zero;

$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \sum_{w=0}^{Q^d} \gamma_{m,d,w}^j \right]$  shall have the meaning given to that term in paragraph 14(5)(k)(i) of Part 2 of this Special Condition where

$$\gamma_{m,d,w}^j = \text{REVBEC}_{m,d,w}^j \times \left( 1 - \frac{\text{IBEC}_m^j \times 1,000,000}{\text{MOEC}_{m,0}^j} \right).$$

**(l) Revenues from on the day sales of entry capacity**

- (i) For the purposes of paragraph 13(2) and 14(7)(b) of Part 2 of this Special Condition, the revenues derived by the licensee from sales of daily baseline entry capacity in respect of formula year t shall be derived from the following formula:

$$DREVBEC_t = \sum_{\text{all } j} \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} REVBEC_{m,d,0}^j \times \frac{IBEC_m^j \times 1,000,000}{MOEC_{m,0}^j} \right]$$

where:

$REVBEC_{m,d,0}^j$  shall have the meaning given to the term  $REVBEC_{m,d,w}^j$  in paragraph 14(5)(i)(iii) of Part 2 of this Special Condition where  $w=0$ ;

$IBEC_m^j$  shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this Special Condition;

$MOEC_{m,0}^j$  shall have the meaning given to the term  $MOEC_{m,w}^j$  in paragraph 14(5)(g) of Part 2 of this Special Condition where  $w$  is equal to zero;

$\sum_{\text{all } j} \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \gamma_{m,d,0}^j \right]$  is the sum across all terminals  $j$  of

$$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \gamma_{m,d,0}^j \right] \quad \text{where}$$

$\gamma_{m,d,0}^j = REVBEC_{m,d,0}^j$  and shall be calculated in the following manner:

$$\sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \gamma_{m,d,0}^j \right] =$$

$$\sum_{\text{all } d} \gamma_{(12t-11),d,0}^j + \sum_{\text{all } d} \gamma_{(12t-10),d,0}^j + \dots + \sum_{\text{all } d} \gamma_{12t,d,0}^j$$

where:

$\sum_{\text{all } d} \gamma_{m,d,0}^j$  is the sum across all days  $d$  in month  $m$  of  $\gamma_{m,d,0}^j$ .

- (ii) For the purposes of paragraph 14(7)(b) of Part 2 of this Special Condition, the revenues derived by the licensee from sales of daily obligated incremental entry capacity in respect of formula year  $t$  shall be derived from the following formula:

$$\text{DREVOIEC}_t = \sum_{\text{all } j} \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \text{REVOIEC}_{m,d,0}^j \right]$$

where:

$\text{REVOIEC}_{m,d,0}^j$  shall have the meaning given to the term  $\text{REVOIEC}_{m,d,w}^j$  in paragraph 14(5)(i)(iv) of Part 2 of this Special Condition where  $w=0$ ;

$\sum_{\text{all } j} \sum_{m=12t-11}^{12t} \left[ \sum_{\text{all } d} \gamma_{m,d,0}^j \right]$  shall have the meaning given to that term in paragraph 14(5)(1)(i) of Part 2 of this Special Condition where  $\gamma_{m,d,0}^j = \text{REVOIEC}_{m,d,0}^j$ .

## (6) Exit capacity investment incentive revenue

### (a) Principal formula



For the purposes of paragraph 14(2) of Part 2 of this Special Condition, the maximum exit capacity investment incentive revenue allowed to the licensee in respect of formula year t (ExCIIR<sub>t</sub>) shall be derived from the following formula:

If  $ExIT_t - ExCIT_t \geq ExCP_t - ExCC_t$ , then:

ExCIIR<sub>t</sub> =

$MIN ((ExUSF_t \times ((ExIT_t - ExCP_t) - (ExCIT_t - ExCC_t))), ExCAP_t) + (ExCIT_t - ExCC_t)$

Otherwise:

ExCIIR<sub>t</sub> =

$MAX ((ExDSF_t \times ((ExIT_t - ExCP_t) - (ExCIT_t - ExCC_t))), ExCOL_t) + (ExCIT_t - ExCC_t)$

Where:

ExIT<sub>t</sub> means the exit incentive target in respect of formula year t and shall be derived in accordance with paragraph 14(6)(d) of Part 2 of this Special Condition;

ExCIT<sub>t</sub> means the incentive target for costs incurred by the licensee in respect of formula year t in respect of its use of constrained storage facilities to avoid transportation constraints (all having the meanings given to those in the licensee's Network Code) as set out in the following table:

	<b>Formula year</b>				
<b>Variable</b>	<b>t = 1</b>	<b>t = 2</b>	<b>t = 3</b>	<b>t = 4</b>	<b>t ≥ 5</b>
ExCIT <sub>t</sub>	5.9	6.2	6.6	6.6	6.6
£ million					

ExCP<sub>t</sub> means the exit performance measure in respect of formula year t, and shall be derived in accordance with paragraph 14(6)(h) of Part 2 of this Special Condition;

ExCC<sub>t</sub> means the payments made by the licensee in respect of costs incurred by the licensee in respect of formula year t in respect of its use of constrained storage facilities to avoid transportation constraints (all having the meanings given to those terms in the licensee's Network Code);

MIN (x,y) means the value equal to the lesser of x and y;

ExUSF<sub>t</sub> means the exit upside sharing factor in respect of formula year t as set out in the following table:

	<b>Formula year</b>	
<b>Variable</b>	<b>t = 1</b>	<b>t ≥ 2</b>
ExUSF <sub>t</sub>	50%	50%

ExDSF<sub>t</sub> means the exit downside sharing factor in respect of formula year t as set out in the following table:

	Formula year	
Variable	t = 1	t ≥ 2
ExDSF <sub>t</sub>	25%	25%

ExCAP<sub>t</sub> means the maximum exit capacity investment revenue in respect of formula year t as set out in the following table:

	Formula year		
Variable	t = 1	t = 2	t ≥ 3
ExCAP <sub>t</sub> £million	10	10	1

MAX (x,y) means the value equal to the greater of x and y; and

ExCOL<sub>t</sub> means the minimum exit capacity investment revenue in respect of formula year t as set out in the following table:

	Formula year		
Variable	t = 1	t = 2	t ≥ 3

ExCOL <sub>t</sub> £million	-2.5	-2.5	-1
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**(b) Statement of NTS incremental firm exit capacity**

- (i) By 1 June 2003, and by 1 June in each subsequent formula year, (or in each case, such other date as the Authority may direct in writing), the licensee shall provide the Authority with a written statement of any NTS incremental firm exit capacity or any proposed NTS incremental firm exit capacity in respect of which the licensee has incurred depreciation or capital expenditure or financing costs during the previous formula year;
- (ii) The statement referred to in sub-paragraph 14(6)(b)(i) of Part 2 of this Special Condition shall include the following:
  - (aa) The NTS exit point(s) (having the meaning given to that term in the licensee's Network Code) to which the NTS incremental firm exit capacity relates or will relate;
  - (bb) The volume of such NTS incremental firm exit capacity in GWh per day by NTS exit point;
  - (cc) The date from which such NTS incremental firm exit capacity was capable or is reasonably expected to be capable of being registered pursuant to the licensee's Network Code;
  - (dd) The amount of capital expenditure incurred by the licensee in respect of such NTS incremental firm exit capacity and the depreciation and financing costs deemed to be incurred in respect of formula year t-1 in respect of such capital expenditure incurred since 1 April 2002. For the purpose of this sub-paragraph, depreciation shall be calculated on a

straight line basis using an asset life of forty-five (45) years and financing costs shall be calculated using a rate of return of 6.25% on the average asset value (which shall be calculated in accordance with regulatory accounting principles agreed with the Authority);

- (ee) The basis upon which the licensee has reached the view that there is or will be demand sufficient to justify the provision of such NTS incremental firm exit capacity; and
  - (ff) As far as it is reasonably possible to ascertain, whether such NTS incremental firm exit capacity has or is to be provided as a result of (i) demand for additional NTS exit capacity or (ii) as a substitute for NTS exit capacity curtailment rights or (iii) as a substitute for storage rights.
- (iii) The licensee shall keep a record of the statement made pursuant to paragraph 14(6)(b)(i) of Part 2 of this Special Condition for seven (7) years;
  - (iv) The licensee shall provide the Authority with such additional information as the Authority requests for the purposes of ascertaining the reason or reasons why the licensee considered that there was or would be sufficient demand of the type specified pursuant to sub-paragraph 14(6)(b)(ii)(ff) of Part 2 of this Special Condition to justify incurring the costs referred to in sub-paragraph 14(6)(b)(ii)(dd) of Part 2 this Special Condition;
  - (v) The licensee shall publish the statement within twenty-eight (28) days of making it available to the Authority unless the Authority otherwise directs the licensee in writing 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.

- (vi) For the purposes of this paragraph 14(6)(b) of Part 2 of this Special Condition:

NTS incremental firm exit capacity means NTS firm exit capacity additional to the NTS baseline firm exit capacity set out in table A3 of schedule A.

**(c) The registration of firm exit capacity**

- (i) The licensee shall use all reasonable endeavours to ensure universal firm registration of NTS exit capacity with effect from 1 April 2004;
- (ii) If after 1 April 2004 for whatever reason the licensee is unable to ensure universal firm registration of NTS exit capacity the licensee shall use all reasonable endeavours to ensure that universal firm registration is achieved as soon as is reasonably practicable thereafter; and
- (iii) For the avoidance of doubt, the obligation contained in paragraph 14(6)(c)(i) of Part 2 of this Special Condition shall not prohibit the licensee from purchasing exit capacity curtailment rights.

**(d) The exit incentive target ( $ExIT_t$ )**

- (i) For the purpose of paragraph 14(6)(a) of Part 2 of this Special Condition the exit incentive target in respect of formula year  $t$  ( $ExIT_t$ ) shall be derived from the following formula:

$$ExIT_t = ExNTSIT_t + ExLDZIIT_t + ExCIT_t + IExR_t$$

where:

$ExNTSIT_t$  means the incentive target in respect of formula year  $t$  for payments made by the licensee or charges foregone by the licensee in respect of NTS exit

capacity curtailment rights and shall be derived in the following manner:

- (a) In respect of formula years 1 and 2 and in each subsequent relevant formula year until the first complete formula year in which the licensee achieves universal firm registration,  $ExNTSIT_t$  shall be derived from the following formula:

$$ExNTSIT_t = ExNTSSIT_t + ExNTSIIT_t$$

- (b) Otherwise  $ExNTSIT_t$  shall have the value set out in the following table:

	<b>Formula year</b>		
<b>Variable</b>	<b>t=3</b>	<b>t=4</b>	<b>t≥5</b>
$ExNTSIT_t$ £million	36.6	37.2	37.9

where:

$ExNTSSIT_t$  means the incentive target in respect of formula year t for charges foregone by the licensee in respect of NTS exit capacity curtailment rights, as set out in the following table:

	<b>Formula year</b>				
<b>Variable</b>	<b>t=1</b>	<b>t=2</b>	<b>t=3</b>	<b>t=4</b>	<b>t≥5</b>
$ExNTSSIT_t$ £million	33.5	35.9	36.6	37.2	37.9

ExNTSIIT<sub>t</sub> means the incentive target in respect of formula year t for payments made by the licensee in accordance with sub-paragraph 14(6)(d)(iii)(a) of Part 2 of this Special Condition in respect of the curtailment of rights to off-take gas from the NTS on plus 15 curtailment days subject to sub-paragraph 14(6)(d)(ii) of Part 2 of this Special Condition as set out in the following table:

Variable	Formula year				
	t=1	t=2	t=3	t=4	t≥5
ExNTSIIT <sub>t</sub> £million	1.42	1.47	1.51	1.59	1.68

ExLDZIIT<sub>t</sub> Means the incentive target in respect of formula year t for payments made by the licensee in accordance with paragraph 14(6)(d)(iii)(b) of Part 2 of this Special Condition in respect of the curtailment of rights to off-take gas from LDZs on plus 15 curtailment days and, subject to sub-paragraph 14(6)(d)(ii) of Part 2 of this Special Condition, as set out in the following table:

Variable	Formula year				
	t=1	t=2	t=3	t=4	t≥5
ExLDZIIT <sub>t</sub> £million	1.42	1.47	1.51	1.59	1.68

ExCIT<sub>t</sub> shall have the meaning given to that term in paragraph



14(6)(a) of Part 2 of this Special Condition; and

$IExR_t$  Means the incremental exit capacity revenue to be applied in formula year  $t$  and shall be derived in accordance with paragraph 14(6)(e) of Part 2 of this Special Condition.

(ii) Unless the Authority otherwise directs in writing, in any formula year  $t$   $ExNTSIT_t$  and  $ExLDZIT_t$  shall each be equal to zero if:

(a) the weighted average charge payable by the licensee to shippers in respect of the curtailment of rights to off-take gas from the NTS on plus 15 curtailment days does not conform with sub-paragraph 14(6)(d)(iii)(a) below; or

(b) the weighted average charge payable by the licensee to shippers in respect of the curtailment of rights to off-take gas from any LDZ(s) on plus 15 curtailment days does not conform with sub-paragraph 14(6)(d)(iii)(b) below; or

(c) no charge is payable by the licensee to shippers in respect of the curtailment of rights to off-take gas from the NTS on plus 15 curtailment days in respect of formula year  $t$ ; or

(d) no charge is payable by the licensee to shippers in respect of the curtailment of rights to off-take gas from any LDZ(s) on plus 15 curtailment days in respect of formula year  $t$ .

(iii) (a) In respect of formula years 1 and 2 and in each subsequent formula year until the first full formula year in which the licensee achieves universal firm registration the licensee shall use all reasonable endeavours to ensure that the weighted average charge payable by the licensee in respect of the curtailment of rights to off-take gas from NTS on plus 15 curtailment days in respect of formula year  $t$

(AExNTSIIC<sub>t</sub>) shall be equal to the value derived from the following formula:

$$\text{AExNTSIIC}_t = \frac{\text{ExNTSSIC}_t}{\left( \sum_{\text{all } z} \text{ExNTSC}_z^{\text{Jan15th}} \times 15 \right)}$$

where:

**ExNTSSIC<sub>t</sub>** means the total value accrued in respect of formula year t of charges foregone by the licensee as a result of NTS exit capacity curtailment rights and shall be derived in accordance with paragraph 14(6)(h) of Part 2 of this Special Condition;

**ExNTSC<sub>z</sub><sup>Jan15th</sup>** means the volume of NTS exit capacity registered in respect of supply point, connected system exit point or storage connection point z in respect of which the licensee has NTS exit capacity curtailment rights on 15 January of formula year t; and

**$\sum_{\text{all } z}$**  means the sum across all supply points, connected system exit points and storage connection points of ExNTSC<sub>z</sub><sup>Jan15th</sup>.

- (b) The licensee shall use all reasonable endeavours to ensure that the weighted average unit charge payable by the licensee in respect of the curtailment of rights to off-take gas from the LDZs on plus 15 curtailment days in respect of formula year t (AExLDZIIC<sub>t</sub>) shall be equal to the value derived from the following formula:

$$AExLDZIIC_t = \frac{LDZSIC_t}{\left( \sum_{\text{all } z} ExLDZC_z^{\text{Jan15th}} \times 15 \right)}$$

where:

$LDZSIC_t$  means the total value accrued in respect of formula year t of charges foregone and payments made by the licensee in respect of LDZ capacity curtailment rights;

$ExLDZC_z^{\text{Jan15th}}$  means the volume of LDZ capacity registered in respect of supply point, connected system exit point or storage connection point z in respect of which the licensee has LDZ capacity curtailment rights on 15 January in respect of formula year t; and

$\sum_{\text{all } z}$  means the sum across all supply points, connected system exit points and storage connection points of  $ExLDZC_z^{\text{Jan15th}}$ .

**(e) NTS incremental exit capacity revenue (IExR<sub>t</sub>)**

For the purposes of paragraph 14(6)(d) of Part 2 of this Special Condition, the maximum NTS incremental exit capacity revenue in respect of formula year t (IExR<sub>t</sub>) shall be derived in the following manner:

If

$TExC_t \geq TExCO_t$ , then:

$$IExR_t = \frac{RI_t}{RI_0} \times ExUCA \times (TExC_t - TExCO_t)$$

Otherwise:

$$IExR_t = 0$$

where:

$TExC_t$  means the actual NTS exit capacity in GWh/day in respect of formula year t and shall be derived from the following formula:

$$TExC_t = DMExC_t + NDMExC_t;$$

where:

$DMExC_t$  Means the NTS exit capacity in GWh/day for DM supply meter points, DM connected system exit points and storage connection points (having the meanings given to those terms in the licensee's Network Code) in respect of formula year t and shall be calculated in accordance with paragraph 14(6)(f) of Part 2 of this Special Condition; and

$NDMExC_t$  means the NTS exit capacity in GWh/day for NDM supply meter points and NDM connected system exit points (having the meanings given to

those terms in the licensee's Network Code) in respect of formula year t and shall be calculated in accordance with paragraph 14(6)(g) of Part 2 of this Special Condition.

$TE_{xCO}_t$  means the NTS exit capacity output measure in respect of formula year t as set out in the following table:

	Formula year				
	t=1	t=2	t=3	t=4	t≥5
$TE_{xCO}_t$ GWh/day	7,715	7,930	8,091	8,239	8,355

$RI_t$  means the arithmetic average of the retail price index published or determined with respect to each of the six months from July to December (both inclusive) in formula year t-1;

$RI_0$  means 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

$ExUCA$  means the exit unit cost multiplier and is derived from the following formula:

$$ExUCA = ExUCAG \times ExUCACONV$$

where:

$ExUCAG$  means the exit capacity unit cost allowance and shall have

the value 0.322 £m/GWh day;  
and

ExUCACONV means the exit capacity adjustment factor and shall be equal to 0.10772.

**(f) NTS exit capacity for DM supply meter points, DM connected system exit points and storage connection points (DMExC<sub>t</sub>)**

For the purposes of paragraph 14(6)(e) of Part 2 of this Special Condition the NTS exit capacity for DM supply meter points, DM connected system exit points and storage connection points in respect of formula year *t* (DMExC<sub>t</sub>) shall be derived from the following formula:

$$DMExC_t = \sum_{\text{all } s} DMExC_{s,t}$$

where:

DMExC<sub>s,t</sub> means the NTS exit capacity registered for supply meter point *s* in accordance with the licensee's Network Code or calculated in accordance with a methodology approved by the Authority for connected system exit point or storage connection point *s* as at 15 January in formula year *t* where the off-take of gas at that supply meter point, connected system exit point or storage connection point is daily metered; and

$\sum_{\text{all } s}$  means the sum across all DM supply meter points, DM connected system exit points and storage

connection points s of  $DMExC_{s,t}$ .

**(g) NTS exit capacity for NDM supply meter points and NDM connected system exit points ( $NDMExC_t$ )**

For the purposes of paragraph 14(6)(e) of Part 2 of this Special Condition, the NTS exit capacity for NDM supply meter points and NDM connected system exit points in respect of formula year t ( $NDMExC_t$ ) shall be derived from the following formula:

$$NDMExC_t = \frac{TNDMT_t}{LF}$$

where:

$TNDMT_t$  means the total volume of gas deemed to be transported from the NTS to NDM supply meter points and NDM connected system exit points in respect of formula year t in accordance with a methodology proposed by the licensee and approved by the Authority; and

$LF$  has a value equal to 128.71.

**(h) The exit performance measure ( $ExCP_t$ )**

For the purposes of paragraphs 14(3) and 14(6)(a) of Part 2 of this Special Condition, the exit performance measure in respect of formula year t ( $ExCP_t$ ) shall be derived from the following formula:

$$ExCP_t = ExNTSIC_t + ExLDZIIIC_t + ExCC_t + RExCP_t$$

where:

$ExNTSIC_t$  means the total accrued value in respect of formula year t of payments made by the licensee or charges foregone by the licensee in respect of NTS exit capacity curtailment rights and shall be derived in the following manner:

- (i) In respect of formula years 1 and 2 and in each subsequent formula year until the first full formula year in which the licensee achieves universal firm registration  $ExNTSIC_t$  shall be derived from the following formula:

$$ExNTSIC_t = ExNTSSIC_t + ExNTSIIC_t$$

- (ii) Otherwise  $ExNTSIC_t$  shall be the total accrued value of the charges foregone by the licensee or payments made by the licensee in respect of NTS exit capacity curtailment rights.

where:

$ExNTSSIC_t$  means the total accrued value in respect of formula year t of charges foregone by the licensee as a result of NTS exit capacity curtailment rights and shall be derived from the following formula:

$$ExNTSSIC_t = \sum_{\text{all } d} \left( \sum_{\text{all } z} ExC_{z,d} \times ExIPK_{z,d} \right)$$



where:

$\sum_{\text{all } d}$  means the sum across all days  $d$  in formula year  $t$  of  $\text{ExC}_{z,d} \times \text{ExIPK}_{z,d}$ ;

$\sum_{\text{all } z}$  means the sum across all supply points, connected system exit points and storage connection points  $z$  of  $\text{ExC}_{z,d} \times \text{ExIPK}_{z,d}$ ; and

$\text{ExC}_{z,d}$  means the volume of NTS exit capacity in respect of day  $d$  and supply point, connected system exit point or storage connection point  $z$  for which the licensee has NTS exit capacity curtailment rights; and

$\text{ExIPK}_{z,d}$  means the notional unpaid NTS exit capacity charge in respect of day  $d$  and

supply point, connected system exit point or storage connection point z for a volume of NTS exit capacity equal to  $ExC_{z,d}$  and shall be derived from the following formula:

$$ExIPK_{z,d} = ExUCC_{z,d} - ExFC_{z,d}$$

where:

$ExUCC_{z,d}$  means the NTS exit capacity charge per unit of capacity that would be payable in respect of day d and supply point, connected system exit point or storage connection point z for a volume of NTS exit capacity equal to  $ExC_{z,d}$  that was not subject to NTS exit capacity

curtailment rights;  
and

ExFC<sub>z,d</sub> means the NTS exit capacity charge per unit of capacity that is otherwise payable in respect of day d and supply point, connected system exit point or storage connection point z in respect of ExC<sub>z,d</sub>.

ExNTSIIC<sub>t</sub> means in respect of formula year t the total payments made by the licensee in accordance with paragraph 14(6)(d)(iii)(a) of Part 2 of this Special Condition in respect of the curtailment of rights to off-take gas from the NTS on plus 15 curtailment days and shall be derived from the following formula:

$$\text{ExNTSIIC}_t = \sum_{\text{all } d} \left( \sum_{\text{all } z} \text{ExNTSIIC}_{z,d} \right)$$

where:

$\sum_{\text{all } d}$  means the sum across all days d in formula year t of

ExNTSIIC<sub>z,d</sub> ;

$\sum_{\text{all } z}$

means the sum across all supply points, connected system exit points and storage connection points  $z$  of ExNTSIIC<sub>z,d</sub> ; and

ExNTSIIC<sub>z,d</sub> means the amount paid by the licensee in respect of the curtailment of rights to off-take gas from the NTS at supply point, connected system exit point or storage connection point  $z$  on day  $d$  in respect of formula year  $t$  to the extent that such amount relates to a plus 15 curtailment day.

ExLDZIIC<sub>t</sub>

means in respect of formula year  $t$  the total payments made by the licensee in accordance with paragraph 14(6)(d)(iii)(b) of Part 2 of this Special Condition in respect of the curtailment of rights to off-take gas from the LDZs on plus 15 curtailment days and shall be derived from the following formula:

$$\text{ExLDZIIC}_t = \sum_{\text{all } d} \sum_{\text{all } z} \text{ExLDZIIC}_{z,d}$$

where:

$\sum_{\text{all } d}$  means the sum across all days  $d$  in formula year  $t$  of  $\text{ExLDZIIC}_{z,d}$ ;

$\sum_{\text{all } z}$  means the sum across all supply points, connected system exit points and storage connection points  $z$  of  $\text{ExLDZIIC}_{z,d}$ ; and

$\text{ExLDZIIC}_{z,d}$  means the amount paid by the licensee in respect of the curtailment of rights to off-take gas from an LDZ at supply point, connected system exit point or storage connection point  $z$  on day  $d$  in respect of formula year  $t$  to the extent that such amount relates to a plus 15 curtailment day;

$\text{ExCC}_t$  shall have the meaning given to that term in paragraph 14(6)(a) of Part 2 of this Special Condition; and

$\text{RExCP}_t$  means in respect of formula year  $t$  depreciation and financing costs in respect of NTS incremental firm exit capacity as calculated in accordance with subparagraph 14(6)(b)(dd) of Part 2 of this Special Condition.

**(i) Statement of actual interruption**

- (i) The licensee shall publish by 12:00 hours each day a statement setting out in respect of the NTS and for each LDZ by each exit zone (having the meaning given to that term in the licensee’s Network Code):
  - (aa) the volumes of NTS exit capacity and LDZ capacity which were curtailed on the previous day; and
  - (bb) in respect of sub-paragraph (aa) above it initiated such use of exit capacity curtailment rights for which of the following reasons: (i) for the purposes of managing capacity rights within the NTS, (ii) for the purposes of managing capacity rights within an LDZ, (iii) for the purposes of balancing the inputs of gas to and the off-takes of gas from the NTS, (iv) for a specified combination of the reasons (i) to (iii), or (v) for such other reason as the licensee shall specify.
- (ii) The licensee shall retain copies of each statement published pursuant to sub-paragraph 14(6)(i)(i) of Part 2 of this Special Condition for at least seven (7) years.

**(7) Entry capacity buy-back incentive**

**(a) Principal formula**

For the purposes of paragraph 14(2) of Part 2 of this Special Condition, the maximum buy-back incentive revenue allowed to the licensee in respect of formula year  $t$  ( $BBIR_t$ ) shall be derived in the following manner:

If  $BBIT_t^L > BBCP_t$ , then:

$$BBIR_t = \text{MIN} \left[ BBUSF_t \times (BBIT_t^L - BBCP_t), BBCAP_t \right]$$

If  $BBIT_t^U < BBCP_t$ , then:

$$BBIR_t = \text{MAX} [ \text{BBDSF}_t \times (\text{BBIT}_t^U - \text{BBCP}_t), \text{BBCOL}_t ]$$

Otherwise:

$$BBIR_t = 0$$

where:

$\text{BBIT}_t^L$  means the lower buy-back incentive target in respect of formula year t as set out in the following table:

	<b>Formula year</b>		
<b>Variable</b>	<b>t=1</b>	<b>t=2</b>	<b>t≥3</b>
$\text{BBIT}_t^L$ £million	35	10	18

$\text{BBCP}_t$  means the entry capacity buy-back performance measure in respect of formula year t and shall be calculated in accordance with paragraph 14(7)(b) of Part 2 of this Special Condition;

$\text{MIN}(x,y)$  means the value equal to the lesser of x and y;

$\text{BBUSF}_t$  is the buy-back upside sharing factor in respect of formula year t as set out in the following table:

	<b>Formula year</b>	
<b>Variable</b>	<b>t=1</b>	<b>t≥2</b>
$\text{BBUSF}_t$	50%	50%

$BBCAP_t$  means the maximum buy-back incentive revenue in respect of formula year  $t$  as set out in the following table:

Variable	Formula year	
	$t=1$	$t \geq 2$
$BBCAP_t$ £million	30	30

$BBIT_t^U$  means the upper buy-back incentive target in respect of formula year  $t$  as set out in the following table:

Variable	Formula year		
	$t=1$	$t=2$	$t \geq 3$
$BBIT_t^U$ £million	35	20	18

$MAX(x,y)$  means the value equal to the greater of  $x$  and  $y$ ;

$BBDSF_t$  is the buy-back downside sharing factor in respect of formula year  $t$  as set out in the following table:

Variable	Formula year	
	$t=1$	$t \geq 2$
$BBDSF_t$	35%	35%

$BBCOL_t$  means the minimum buy-back incentive revenue in respect of formula year  $t$  as set out in the following table:

Variable	Formula year	
	$t=1$	$t \geq 2$
$BBCOL_t$ £million	-12.5	-12.5

**(b) The entry capacity buy-back performance measure ( $BBCP_t$ )**



For the purposes of paragraph 14(7)(a) of Part 2 of this Special Condition, the entry capacity buy-back performance measure in respect of formula year t ( $BBCP_t$ ) shall be derived in the following manner:

In formula year ( $t \leq 2$ )

$$BBCP_t = IECCC_t - DDCR_t - REVIC_t - REVIEC_t - RCOR_t$$

In formula year ( $t \geq 3$ )

$$BBCP_t = IECCC_t - DDCR_t - REVIC_t - REVIEC_t - RCOR_t - RLOC_t$$

where:

$IECCC_t$  means an amount equal to the costs incurred by the licensee in respect of formula year t in respect of entry capacity constraint management and shall be derived from the following formula:

$$IECCC_t = \sum_{\text{all } d} BBC_{d,t} + \sum_{\text{all } d} ECCC_{d,t}$$

where:

$d$  means a day in formula year t;

$\sum_{\text{all } d}$  means the sum across all days d in formula year t of  $BBC_{d,t}$  or  $ECCC_{d,t}$ ;

$BBC_{d,t}$  means the costs incurred by the licensee in the curtailment of capacity rights to put gas into the transportation system in respect of day d of formula year t (including costs incurred in respect of any acquisitions from shippers of capacity rights); and

$ECCC_{d,t}$  Means in formula year ( $t \leq 2$ ) the costs incurred by the licensee in respect of any payments made by the licensee to shippers in exchange for agreeing to off-take gas from the NTS at the licensee's request on day d in respect of formula year t and in respect of any costs incurred by the licensee undertaking any other commercial or physical action to manage entry capacity excluding those covered by  $BBC_{d,t}$ ; and

means in formula year ( $t \geq 3$ ) the costs incurred by the licensee in respect of any payments made by the licensee to shippers in exchange for agreeing to offtake gas from the NTS at the licensee's request on day d in respect of formula year t and in respect of any costs incurred by the licensee undertaking any other commercial or physical action to manage entry capacity excluding those covered by  $BBC_{d,t}$  including any locational buy actions.

$DDCR_t$  means the revenue derived by the licensee in respect of on-the-day sales of obligated entry capacity in respect of formula year t and shall be derived from the following formula:

$$DDCR_t = DREVBEC_t + DREVOIEC_t$$

where:

$DREVBEC_t$  shall have the meaning given to that term

in paragraph 14(5)(l)(i) of Part 2 of this Special Condition; and

DREVOIEC<sub>t</sub> shall have the meaning given to that term in paragraph 14(5)(l)(ii) of Part 2 of this Special Condition;

REVIC<sub>t</sub> shall have the meaning given to that term in paragraph 13(2) of Part 2 of this Special Condition;

REVIEC<sub>t</sub> shall have the meaning given to that term in paragraph 14(5)(k)(iii) of Part 2 of this Special Condition; and

RCOR<sub>t</sub> shall have the meaning given to that term in paragraph 13(3) of Part 2 of this Special Condition.

RLOC<sub>t</sub> means the revenue derived by the licensee in respect of formula year t in respect of locational sell actions and physical renomination incentive charges (having the meaning given to that term in the licensee's Network Code) and shall be derived from the following formula:

$$RLOC_t = \sum_{\text{all } d} RLSA_{d,t} + \sum_{\text{all } d} RPIC_{d,t}$$

RLSA<sub>d,t</sub> means the revenue derived by the Licensee in respect of locational sell actions in respect of day d of formula year t; and

RPIC<sub>d,t</sub> means the revenue derived by the licensee in respect of

a physical renomination incentive charge (having the meaning given to that term in the licensee's Network Code) in respect of day d of formula year t.

## **(8) System balancing incentive**

### **(a) Principal formula**

For the purposes of paragraph 14(2) of Part 2 of this Special Condition, the maximum total system balancing incentive revenue allowed to the licensee in respect of formula year t ( $SBIR_t$ ) shall be derived in the following manner:

$$SBIR_t = GCIR_t + SRIR_t$$

where:

$GCIR_t$  means the maximum gas cost incentive revenue allowed to the licensee in respect of formula year t and shall be calculated in accordance with paragraph 14(8)(b) of Part 2 of this Special Condition; and

$SRIR_t$  means the maximum system reserve incentive revenue allowed to the licensee in respect of formula year t and shall be calculated in accordance with paragraph 14(8)(c) of Part 2 of this Special Condition.

**(b) The maximum gas cost incentive revenue (GCIR<sub>t</sub>)**

For the purposes of paragraph 14(8)(a) of Part 2 of this Special Condition, the maximum gas cost incentive revenue allowed to the licensee in respect of formula year t (GCIR<sub>t</sub>) shall be derived in the following manner:

If  $GCIT_t \geq GCCP_t$ , then:

$$GCIR_t = \text{MIN}[GCUSF_t \times (GCIT_t - GCCP_t), GCCAP_t]$$

Otherwise:

$$GCIR_t = \text{MAX}[GCDSF_t \times (GCIT_t - GCCP_t), GCCOL_t]$$

where:

GCIT<sub>t</sub> means the NTS SO gas cost incentive target in respect of formula year t and shall be calculated in accordance with paragraph 14(8)(d) of Part 2 of this Special Condition;

GCCP<sub>t</sub> means the NTS SO gas cost incentive performance measure in respect of formula year t and shall be calculated in accordance with paragraph 14(8)(g) of Part 2 of this Special Condition;

MIN (x,y) is the value which is the lesser of x and y;

GCUSF<sub>t</sub> means the gas cost upside sharing factor in respect of formula year t as set out in the following table:

	<b>Formula year</b>	
<b>Variable</b>	<b>t=1</b>	<b>t≥2</b>
GCUSF <sub>t</sub>	25%	25%

$GCCAP_t$  means the maximum gas cost incentive revenue in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$GCCAP_t$ £million	4	4

$MAX(x,y)$  is the value which is the greater of x and y;

$GCDSF_t$  means the gas cost downside sharing factor in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$GCDSF_t$	20%	20%

$GCCOL_t$  means the minimum gas cost incentive revenue in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$GCCOL_t$ £million	-3	-3

**(c) The maximum system reserve incentive revenue ( $SRIR_t$ )**

For the purposes of paragraph 14(8)(a) of Part 2 of this Special Condition, the maximum system reserve incentive revenue allowed to the licensee in respect of formula year t ( $SRIR_t$ ) shall be derived in the following manner:

If  $SRIT_t \geq SRCP_t$ , then:

$$SRIR_t = SRUSF_t \times (SRIT_t - SRCP_t)$$

Otherwise:

$$SRIR_t = SRDSF_t \times (SRIT_t - SRCP_t)$$

where:

$SRIT_t$  means the system reserve incentive target in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$SRIT_t$ £million	16.8	16.6

$SRCP_t$  means the system reserve performance measure in respect of formula year t and shall be the total payments made by the licensee in respect of costs incurred by the licensee in respect of storage capacity or LNG Importation capacity that has been paid for or gas delivery service fee that has been paid for the purposes of satisfying operating margins requirements (having the meaning given to that term in the licensee's Network Code);

$SRUSF_t$  means the system reserve upside sharing factor in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$SRUSF_t$	100%	100%

$SRDSF_t$  means the system reserve downside sharing factor in respect of formula year t as set out in the following the following table:

	Formula year

Variable	t=1	t≥2
SRDSF <sub>t</sub>	100%	100%

**(d) The NTS SO gas cost incentive target (GCIT<sub>t</sub>)**

For the purposes of paragraph 14(8)(b) of Part 2 of this Special Condition, the NTS SO gas cost incentive target in respect of formula year t (GCIT<sub>t</sub>) shall be derived from the following formula:

$$GCIT_t = (GCRP_t \times GVTP_t \times 10,000) + ECT_t$$

where:

GCRP<sub>t</sub> means the NTS SO gas cost reference price in respect of formula year t and shall be calculated in accordance with paragraph 14(8)(e) of Part 2 of this Special Condition;

GVTP<sub>t</sub> means the NTS SO gas target volumes in respect of formula year t as set out in the following table:

	Formula Year				
	t=1	t=2	t=3	t=4	t≥5
GVTP <sub>t</sub> GWh/year	8,265	8,618	8,929	8,976	9,161

ECT<sub>t</sub> means the target electric compression costs in respect of formula year t as set out in the following table:

	Formula Year				
	t=1	t=2	T=3	t=4	t≥5
ECT <sub>t</sub> £million	0.5	0.5	0.5	0.5	0.5

**(e) The NTS SO gas cost reference price (GCRP<sub>t</sub>)**



For the purposes of paragraph 14(8)(d) of Part 2 of this Special Condition, the NTS SO gas cost reference price in respect of formula year t ( $GCRP_t$ ) shall be derived in the following manner:

- (i) In respect of formula years 1 and 2,  $GCRP_t$  shall have the values set out in the following table:

Variable	Formula year	
	t=1	t=2
$GCRP_t$ pence per kWh	0.702	0.712

In respect of all subsequent formula years,  $GCRP_t$  shall be derived from the following formula:

$$GCRP_t = \frac{\sum_{\text{all } q} \sum_{\text{all } d} [NTST_{t-2,q,d} \times FQRP_{t,q}]}{\sum_{\text{all } q} \sum_{\text{all } d} NTST_{t-2,q,d}} + 0.055 \text{ p/kWh}$$

where:

q Means each quarter in formula year t where a quarter is a continuous period of three calendar months and where q=1 covers the days between 1 April and 30 June inclusive;

$\sum_{\text{all } q}$  means the sum across all quarters q in formula year t of  $\sum_{\text{all } d} (NTST_{t-2,q,d} \times FQRP_{t,q})$  or  $\sum_{\text{all } d} NTST_{t-2,q,d}$  as the case may be;

$\sum_{\text{all } d}$  means the sum of across all days in quarter q of  $(NTST_{t-2,q,d} \times FQRP_{t,q})$  or  $NTST_{t-2,q,d}$  as the case may be;

$NTST_{t-2,q,d}$  shall be calculated from the following formula:

$$NTST_{t-2,q,d} =$$

$$UDQI_{t-2,q,d} + \sum_{\text{all } S} \text{Max} [UDQI_{t-2,q,d}^S - UDQO_{t-2,q,d}^S, 0]$$

where

$UDQI_{t-2,q,d}$  means the sum of shippers' user daily quantity inputs (having the meaning given to that term in the licensee's Network Code) at the terminals at each of Bacton, Barrow, Easington, St Fergus, Teeside and Theddlethorpe on day d of quarter q of formula year t-2;

$UDQI_{t-2,q,d}^S$  means the sum of shippers' user daily quantity input (having the meaning given to that term in the licensee's Network Code) in respect of storage connection point S on day d of quarter q of formula year t-2;

$UDQO_{t-2,q,d}^S$  means the sum of shippers' user daily quantity outputs (having the meaning given to that term in the licensee's Network Code) in respect of storage connection point S on day d of quarter q of formula year t-2; and

$\sum_{\text{all } S}$  means the sum over all storage connection points.

$FQRP_{t,q}$  means the forward quarterly reference price in respect of quarter q of formula year t and shall be derived from the following formula:

$$FQRP_{t,q} = \frac{\sum_{d=a}^b FP_{t,q,d}}{n}$$

where:

a In respect of formula years (t ≤ 3) means 1 March in formula year (t - 1) and in respect of formula years (t ≥ 4) 1 April in formula year (t - 1);

b In respect of formula years (t ≤ 3) means 20 March in formula year (t - 1) and in respect of formula years (t ≥ 4) 31 March in formula year (t - 1);

$\sum_{d=a}^b$  means the sum of all business days d between day a and day b (both inclusive);

$FP_{t,q,d}$  means the forward price quoted in an approved published price reporting service on day d for a gas contract for delivery at the national balancing point (having the meaning given to that term in the published price reporting service approved in accordance with sub-paragraph (iii) below) in respect of quarter q of formula year t, measured in p/kWh; and

n means the number of business days between a and b inclusive.

For the purposes of this paragraph, a published price reporting service will be proposed by the licensee prior to 1 March in each formula year t. If after 30 days from the receipt of such a proposal the Authority has not disallowed the proposal, the proposed published price reporting service will be deemed to be approved.

**(f) The NTS SO system balancing costs (SBIC<sub>t</sub>)**

For the purposes of paragraph 14(3) of Part 2 of this Special Condition, the NTS SO system balancing costs in respect of formula year t (SBIC<sub>t</sub>) shall be derived from the following formula:

$$SBIC_t = GCCP_t + SRCP_t$$

where:

GCCP<sub>t</sub> means the NTS SO gas cost performance measure and shall be calculated in accordance with paragraph 14(8)(g) of Part 2 of this Special Condition; and

SRCP<sub>t</sub> shall have the meaning given to that term in paragraph 14(8)(c) of Part 2 of this Special Condition.

**(g) The NTS SO gas cost performance measure (GCCP<sub>t</sub>)**

For the purposes of paragraph 14(8)(b) of Part 2 of this Special Condition, the NTS SO gas cost performance measure in respect of formula year t (GCCP<sub>t</sub>) shall be derived from the following formula:

$$GCCP_t = GC_t + ECC_t$$

where:

$GC_t$  means the payments made by the licensee in respect of the total costs incurred by the licensee in respect of formula year t in the provision of NTS Shrinkage other than  $ECC_t$  ;  
and

$ECC_t$  means the payments made by the licensee in respect of the total costs incurred by the licensee in respect of formula year t in procuring and purchasing fuel for the purposes of operating electric compressors on the NTS.

## (9) Residual gas balancing incentive

### (a) Principal formula

For the purposes of paragraph 14(2) of Part 2 of this Special Condition, the maximum residual gas balancing incentive revenue allowed to the licensee in respect of formula year t ( $RBIR_t$ ) shall be derived from the following formula:

$$RBIR_t = \text{MIN}[RBCAP_t, \text{MAX}[STIP_t, RBCOL]]$$

where:

$\text{MIN}(x, y)$  means the value equal to the lesser of x and y;

$RBCAP_t$  means the maximum residual gas balancing incentive revenue in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$RBCAP_t$ £million	3.5	3.5

MAX (x, y) means the value equal to the greater of x and y;

STIP<sub>t</sub> means the sum of the total daily incentive payments under the residual gas balancing incentive in respect of formula year t and shall be calculated in accordance with paragraph 14(9)(b) of Part 2 of this Special Condition; and

RBCOL<sub>t</sub> means the minimum residual gas balancing incentive revenue in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
RBCOL <sub>t</sub> £million	-3.5	-3.5

**(b) The sum of the total daily incentive payments under the residual gas balancing incentive (STIP<sub>t</sub>)**

For the purposes of paragraph 14(9)(a) of Part 2 of this Special Condition, the sum of the total daily incentive payments under the residual gas balancing incentive in respect of formula year t (STIP<sub>t</sub>) shall be derived from the following formula:

$$STIP_t = SDPIP_t + SDLIP_t$$

where:

SDPIP<sub>t</sub> means the sum of daily price incentive payments and shall be calculated in accordance with paragraph 14(9)(c) of Part 2 of this Special Condition; and

SDLIP<sub>t</sub> means the sum of daily linepack incentive payments and shall be calculated in accordance with paragraph 14(9)(d) of Part 2 of this Special Condition.

**(c) The sum of daily price incentive payments (SDPIP<sub>t</sub>)**

For the purposes of paragraph 14(9)(b) of Part 2 of this Special Condition, the sum of the daily price incentive payments in respect of formula year t (SDPIP<sub>t</sub>) shall be derived from the following formula:

$$SDPIP_t = \sum_{\text{all } d} DPIP_{d,t}$$

where:

$\sum_{\text{all } d}$  means the sum across all days d in formula year t of DPIP<sub>d,t</sub>; and

DPIP<sub>d,t</sub> means the daily price incentive payment and shall be calculated in accordance with paragraph 14(9)(e) of Part 2 of this Special Condition.

**(d) The sum of daily linepack incentive payments (SDLIP<sub>t</sub>)**

For the purposes of paragraph 14(9)(b) of Part 2 of this Special Condition, the sum of daily linepack incentive payments in respect of formula year t (SDLIP<sub>t</sub>) shall be derived from the following formula:

$$SDLIP_t = \sum_{\text{all } d} DLIP_{d,t}$$

where:

$\sum_{\text{all } d}$  means the sum across all days d in formula year t of  $DPIP_{d,t}$ ; and

$DLIP_{d,t}$  means the sum of daily linepack incentive payment and shall be calculated in accordance with paragraph 14(9)(g) of Part 2 of this Special Condition.

**(e) The daily price incentive payment ( $DPIP_{d,t}$ )**

For the purposes of paragraph 14(9)(c) of Part 2 of this Special Condition, the daily price incentive payment in respect of day d of formula year t ( $DPIP_{d,t}$ ) shall be derived in the following manner:

If  $PPM_{d,t} < PIR_t$ , then:

$$DPIP_{d,t} = DPMC_{CAP,t} \times \frac{(PIR_t - \text{MAX}(PPM_{d,t}, PIMUL_t))}{(PIR_t - PIMUL_t)}$$

Otherwise:

$$DPIP_{d,t} = DPMC_{COL,t} \times \frac{(PIR_t - \text{MIN}(PPM_{d,t}, PIMLL_t))}{(PIR_t - PIMLL_t)}$$

where:

$PPM_{d,t}$  means the daily residual balancing price performance measure and shall be calculated in accordance with paragraph 14(9)(f) of Part 2 of this Special Condition;

$PIR_t$  means the price incentive reference measure in respect of formula year t as set out in the following table:

Variable	Formula years	
	t=1	t≥2
$PIR_t$	10%	10%



$DPMCAP_t$  means the daily price incentive cap in respect of formula year t as set out in the following table:

	<b>Formula years</b>	
<b>Variable</b>	<b>t=1</b>	<b>t≥2</b>
$DPMCAP_t$ £	5,000	5,000

$MAX(x,y)$  is the value equal to the greater of x and y;

$PIMUL_t$  means the price incentive measure upper limit in respect of formula year t as set out in the following table:

	<b>Formula years</b>	
<b>Variable</b>	<b>t=1</b>	<b>t≥2</b>
$PIMUL_t$	0%	0%

$DPMCOL_t$  means the daily price measure incentive collar in respect of formula year t as set out in the following table:

	<b>Formula years</b>	
<b>Variable</b>	<b>t=1</b>	<b>t≥2</b>
$DPMCOL_t$ £	-30,000	-30,000

$MIN(x,y)$  is the value equal to the lesser of x and y; and

$PIMLL_t$  means the price incentive measure lower limit in respect of formula year t as set out in the following table:

	<b>Formula years</b>	
<b>Variable</b>	<b>t=1</b>	<b>t≥2</b>
$PIMLL_t$	85%	85%

(f) **The daily residual balancing price performance measure ( $PPM_{d,t}$ )**

For the purposes of paragraph 14(9)(e) of Part 2 of this Special Condition, the licensee's daily residual balancing price performance measure in respect of day d in formula year t ( $PPM_{d,t}$ ) shall be derived from the following formula:

In formula year  $t \leq 2$

$$PPM_{d,t} = \frac{1}{2} \times \left( \frac{(TMIBP_{d,t} - TMISP_{d,t})}{SAP_{d,t}} \right) \times 100$$

In formula year  $t \geq 3$

$$PPM_{d,t} = \left( \frac{(TMIBP_{d,t} - TMISP_{d,t})}{SAP_{d,t}} \right) \times 100$$

where:

$TMIBP_{d,t}$  means in formula year ( $t \leq 2$ ) the price in pence per kilowatt hour which is equal to the highest market offer price (having the meaning given to that term in the licensee's Network Code) in relation to a eligible balancing action (having the meaning given to that term in the licensee's Network Code) taken in respect of day d of formula year t unless the licensee took no such eligible balancing action in which case  $TMIBP_{d,t}$  will equal  $SAP_{d,t}$  ;  
and

means in formula year ( $t \geq 3$ ) the price in pence per kilowatt hour which is equal to the highest market offer price (having the meaning given to that term in the licensee's Network Code) in relation to a eligible balancing action (having the meaning given to that term in the licensee's Network Code) excluding any locational actions

taken in respect of day d of formula year t unless the licensee took no such eligible balancing action in which case  $TMIBP_{d,t}$  will equal  $SAP_{d,t}$ ;

$TMISP_{d,t}$  means in formula year ( $t \leq 2$ ) the price in pence per kilowatt hour which is equal to the lowest market offer price (having the meaning given to that term in the licensee's Network Code) in relation to a eligible balancing action (having the meaning given to that term in the licensee's Network Code) taken in respect of day d of formula year t unless the licensee took no such eligible balancing action in which case  $TMISP_{d,t}$  will equal  $SAP_{d,t}$ ;  
and

means in formula year ( $t \geq 3$ ) the price in pence per kilowatt hour which is equal to the lowest market offer price (having the meaning given to that term in the licensee's Network Code) in relation to a eligible balancing action (having the meaning given to that term in the licensee's Network Code) excluding any locational actions taken in respect of day d of formula year t unless the licensee took no such eligible balancing action in which case  $TMISP_{d,t}$  will equal  $SAP_{d,t}$ ;

$SAP_{d,t}$  means the system average price (having the meaning given to that term in the licensee's Network Code) in respect of day d of formula year t

**(g) The daily linepack incentive payment ( $DLIP_{d,t}$ )**

For the purposes of paragraph 14(9)(d) of Part 2 of this Special Condition, the daily linepack incentive payment in respect of day d of formula year t ( $DLIP_{d,t}$ ) shall be derived from the following formula:

If  $LPM_{d,t} < LIR_t$ , then:

$$DLIP_{d,t} = DLMCAP_t \times \frac{(LIR_t - \text{MAX}[LPM_{d,t}, LIMUL_t])}{(LIR_t - LIMUL_t)}$$

Otherwise:

$$DLIP_{d,t} = DLMCOL_t \times \frac{(LIR_t - \text{MIN}[LPM_{d,t}, LIMLL_t])}{(LIR_t - LIMLL_t)}$$

where:

$LPM_{d,t}$  means the linepack performance measure in respect of day d of formula year t and shall be calculated in accordance with paragraph 14(9)(h) of Part 2 of this Special Condition;

$LIR_t$  means the linepack incentive reference measure in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$LIR_t$	2.4 mcm	2.4 mcm

$DLMCAP_t$  means the daily linepack maximum incentive cap in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
$DLMCAP_t$ £	5,000	5,000

MAX (x,y) is the value equal to the greater of x and y;

LIMUL<sub>t</sub> means the linepack incentive measure upper limit, in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
LIMUL <sub>t</sub>	0 mcm	0 mcm

DLMCOL<sub>t</sub> means the daily linepack measure incentive collar, in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
DLMCOL <sub>t</sub> £	-30,000	-30,000

MIN (x,y) is the value equal to the lesser of x and y; and

LIMLL<sub>t</sub> means the linepack incentive measure lower limit in respect of formula year t as set out in the following table:

Variable	Formula year	
	t=1	t≥2
LIMLL <sub>t</sub>	20.4 mcm	20.4 mcm

**(h) The linepack performance measure (LPM<sub>d,t</sub>)**

For the purposes of paragraph 14(9)(g) of Part 2 of this Special Condition, the linepack performance measure, in respect of day d of formula year t (LPM<sub>d,t</sub>) shall be derived from the following formula:

$$LPM_{d,t} = \text{MAX}[(OLP_{d,t} - CLP_{d,t}), (CLP_{d,t} - OLP_{d,t})]$$

where:

MAX (x,y) is the value equal to the greater of x and y;

OLP<sub>d,t</sub> means the total NTS linepack in respect of day d of formula year t as at 06:00 hours on day d;

CLP<sub>d,t</sub> means the NTS linepack in respect of day d of formula year t as at 06:00 hours on day d+1; and

NTS linepack means the volume of gas within the NTS as calculated by the licensee in accordance with the methodology proposed by the licensee for that purpose from time to time and approved by the Authority.

## (10) Internal cost incentive scheme

### (a) Principal formula

For the purposes of paragraph 14(2) of Part 2 of this Special Condition, the maximum internal costs incentive revenue allowed to the licensee in respect of formula year t (ICIR<sub>t</sub>) shall be derived in the following manner:

If  $\frac{RI_t}{RI_0} \times ICIT_t \geq ICCP_t$ , then:

$$ICIR_t = ICUSF_t \times \left( \frac{RI_t}{RI_0} \times ICIT_t - ICCP_t \right)$$

Otherwise:

$$ICIR_t = ICDSF_t \times \left( \frac{RI_t}{RI_0} \times ICIT_t - ICCP_t \right);$$

where:

$ICIT_t$  means the internal cost incentive target in respect of formula year t as set out in the following table:

Variable	Formula years				
	t=1	t=2	t=3	t=4	t≥5
$ICIT_t$ £ million	29.9	28.2	28.1	28.0	26.6

$ICCP_t$  means the internal cost performance measure in respect of formula year t and shall be calculated in accordance with paragraph 14(10)(b) of Part 2 of this Special Condition;

$ICUSF_t$  means the internal cost upside sharing factor in respect of formula year t as set out in the following table:

Variable	Formula years	
	t=1	t≥2
$ICUSF_t$	40%	40%

$RI_t$  shall have the meaning given to that term in paragraph 14(5)(a) in Part 2 of this Special Condition;

$RI_0$  shall have the meaning given to that term in paragraph 14(5)(a) in Part 2 of this Special Condition; and

$ICDSF_t$  means the internal cost downside sharing factor in respect of formula year t as set out in the following table:

Variable	Formula years	
	t=1	t≥2
$ICDSF_t$	35%	35%

**(b) The internal cost performance measure ( $ICCP_t$ )**

For the purposes of paragraph 14(10)(a) of Part 2 of this Special Condition, the internal cost performance measure in respect of formula year t ( $ICCP_t$ ) shall be derived from the following formula:

$$ICCP_t = SOOC_t + SODCP_t + SORCP_t$$

where:

$SOOC_t$  means the operating costs incurred in respect of formula year t attributable to the provision of NTS SO activity in accordance with Special Condition 29 (Allocation of revenues and costs for calculations under the price control) other than  $ExCP_t$ ,  $IECCC_t$ ,  $CNIC_t$ ,  $SBIC_t$  and  $RBIC_t$ ;

$SODCP_t$  means the depreciation on the NTS SO regulatory asset base in respect of formula year t calculated on a straight-line basis in accordance with Special Condition 29 (Allocation of revenues and costs for calculations under the price control);

$SORCP_t$  means the return on the NTS SO regulatory asset base in respect of formula year t at a rate of 6.25%; and

NTS SO regulatory asset base means the allocation of assets to the NTS SO activity in accordance with Special Condition 29 (Allocation of revenues and costs for calculations under the price control).

**(11) Determination of any adjustment factor to be applied to  $SOMR_t$  ( $SORA_t$ )**

- (a) An income adjusting event is any event or circumstance:
  - (i) constituting force majeure under the licensee's Network Code;



- (ii) resulting in the declaration of a network gas supply emergency (having the meaning given to such term in the licensee's Network Code);
  - (iii) where the revenues derived by the licensee from the sale of obligated entry capacity pursuant to paragraph 14(5)(c)(iii) are less than the revenues that would have been derived from the original sale of that capacity had the original purchaser of the capacity not been served with a termination notice (having the meaning given to that term in the licensee's Network Code) and in respect of this sub-paragraph only, the threshold specified in paragraphs 14(11)(c)(ii), (d)(ii) and (g)(ii) shall not apply; and
  - (iv) that is, in the opinion of the Authority, an income adjusting event and approved by it as such.
- (b) The Authority's approval of an income adjusting event shall be in writing and shall be in the public domain and the Authority may revoke this approval with the consent of the licensee.
- (c) Where it appears to the licensee that there have been in respect of formula year t costs and/or expenses which:
- (i) have been caused or saved by an income adjusting event; and
  - (ii) have, in respect of formula year t, increased or decreased by more than £2,000,000 the value of  $SOIC_t$  (having the meaning given to that term in paragraph 14(3) of Part 2 of this Special Condition) (for the avoidance of doubt, in the case of paragraph 14(11)(a)(iii) only the threshold of £2,000,000 shall not apply),

then the licensee shall give notice thereof to the Authority.

- (d) Where it appears to any shipper that there have been in respect of formula year t costs and/or expenses which:

- (i) have been caused or saved by an income adjusting event; and
- (ii) have, in respect of formula year  $t$ , increased or decreased by more than £2,000,000 the value of  $SOIC_t$  (having the meaning given to that term in paragraph 14(3) of Part 2 of this Special Condition) (for the avoidance of doubt, in the case of paragraph 14(11)(a)(iii) only the threshold of £2,000,000 shall not apply),

then that shipper may give notice thereof to the Authority.

- (e) The notice provided for in paragraphs 14(11)(a) and 14(11)(b) of Part 2 of this Special Condition shall give particulars of:
  - (i) the income adjusting event to which the notice relates;
  - (ii) the amount of any change in costs and/or expenses which appear to the person giving the notice to have been caused or saved by the event and the method of calculating such costs and/or expenses; and
  - (iii) the amount of any allowed income adjustment proposed as a consequence of that income adjusting event.
- (f) A notice of an income adjusting event shall be given as soon as is reasonably practicable after the occurrence of the income adjusting event, and may not be given more than 3 months after the end of the relevant formula year in which it occurs.
- (g) The Authority shall determine (after consultation with the licensee and such other persons as it considers desirable):
  - (i) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 14(11)(c) or 14(11)(d) of Part 2 of this Special Condition are caused or saved by an income adjusting event;

- (ii) whether the amount specified for the purpose of paragraph 14(11)(e)(iii) of Part 2 of this Special Condition has increased or decreased the value of  $SOIC_t$  by more than £2,000,000 (for the avoidance of doubt, in the case of paragraph 14(11)(a)(iii) only the threshold of £2,000,000 shall not apply); and
  - (iii) if so, whether the amount of the proposed income adjustment ensures that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as if that income adjusting event had not taken place, and if not, what allowed income adjustment would secure that effect.
- (h) In respect of formula year  $t$ , the approved allowance in respect of an income adjustment ( $SORA_t$ ) shall be:
- (i) the value determined by the Authority under paragraph 14(11)(g) of Part 2 of this Special Condition;
  - (ii) if the Authority has not made a determination in accordance with paragraph 14(11)(a) of Part 2 of this Special Condition within 3 months of the date of the notice under paragraph 14(11)(c) or 14(11)(d) of Part 2 of this Special Condition, the respective values given to them in that notice; or
  - (iii) in any other case, zero.

## **15. Reporting obligations**

- (1) Where the licensee publishes any statement or revised or amended statement as to its NTS SO transportation charges under amended standard condition 4 (Charging Gas Shippers - General), the licensee shall not later than twenty-eight days prior to the time of such publication provide the Authority with:-

- (a) a written forecast of maximum NTS system operation revenue, together with its components, in respect of the formula year in which the change in such charges is to take effect and also in respect of the next following formula year; and
  - (b) a written estimate of the maximum NTS system operation revenue, together with its components, in respect of the formula year immediately preceding the formula year in which the change in such charges is to take effect unless a statement complying with paragraph 15(4) of Part 2 of this Special Condition in respect of that first mentioned formula year has been furnished to the Authority before the publication of the proposed change in such charges.
- (2) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its NTS SO transportation charges, the licensee shall provide the Authority with a written forecast of the maximum NTS system operation revenue, together with its components, in respect of that formula year.
- (3) Any forecasts as aforesaid shall be accompanied by such information as may be necessary to enable the Authority to be reasonably satisfied that the forecasts have been properly prepared on a consistent basis.
- (4) Not later than six weeks after the commencement of a formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 12(1) to 12(3) inclusive of Part 2 of this Special Condition above apply in respect of that formula year and its best estimate of what  $SOK_t$  (as defined in paragraph 14(4) of Part 2 of this Special Condition) is likely to be in that formula year.
- (5) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement showing the NTS system operation revenue in respect of that formula year that shall be certified by a Director of the licensee on behalf of the licensee stating that the information is correct to the best of his knowledge and belief having made all reasonable enquiries.

- (6) The statement referred to in sub-paragraph (5) above shall be accompanied by a report from the appropriate auditors that, in their opinion, that statement fairly presents the NTS system operation revenue in accordance with the requirements of this Special Condition.

**16. Disapplication of the NTS SO activity revenue restriction**

- (1) The NTS SO activity revenue restriction conditions shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 16(2) to 16(7) of Part 2 of this Special Condition.
- (2) The NTS SO revenue restrictions conditions shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 16(3) of Part 2 of this Special Condition or notice is given to the Authority by the licensee in accordance with either paragraph 16(6) or paragraph 16(7) of Part 2 of this Special Condition.
- (3) A disapplication request shall
  - (i) be in writing addressed to the Authority;
  - (ii) specify NTS SO revenue restriction conditions (or any part or parts thereof) to which the request relates; and
  - (iii) state the date (being not earlier than the date referred to in paragraph 16(5) of Part 2 of this Special Condition) from which the licensee wishes the Authority to agree that those conditions shall cease to have effect.
- (4) The licensee may withdraw a disapplication request at any time.
- (5) No disapplication following delivery of a disapplication request pursuant to paragraph 16 of Part 2 of this Special Condition shall have effect until a date being the earlier of:

- (i) not less than 18 months after delivery of the disapplication request; and
  - (ii) 31 March 2004 in the case of a disapplication request which relates to the following parts of the NTS SO revenue restriction set out in Part 2 of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity):
    - (aa)  $STR_m^j$  having the meaning given to that term in paragraph 14(5)(g);
    - (bb)  $ExUSF_t, ExDSF_t, EXCAP, ExCOL_t$  having the meanings given to those terms in paragraph 14(6)(a);
    - (cc) paragraph 14(7);
    - (dd) paragraph 14(9); and
    - (ee)  $ICUSF_t$  and  $ICDSF_t$  having the meanings given to those terms in paragraph 14(10)(a); and
  - (iii) 31 March 2007 in the case of a disapplication request relating to any other Part of the NTS SO revenue restriction.
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of Part 2 of this Special Condition or the part of parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date, and the licensee has not withdrawn the disapplication request the licensee may deliver written notice to the Authority terminating the application of Part 2 of this Special Condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or a later date.
- (7) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of Part 2 of this Special Condition or the

part or parts thereof specified in the disapplication request and such report does not include a conclusion that the cessation of such charge restrictions, 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 him written notice terminating the application of Part 2 of this Special Condition or the part or parts thereof with effect from the disapplication date or later.

**Special Condition 29: Allocation of revenues and costs for calculations under the price control**

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 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation 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 NTS transportation owner activity;
  - (b) the NTS system operation activity;
  - (c) the Distribution Network transportation activity;
  - (d) the metering activities; or



- (e) excluded services in accordance with the principles set out in Special Condition 30 (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, amended standard 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 special condition 2 (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 28A (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 Transco's transportation system and shall include the NTS transportation owner activity, the NTS system operation activity, the Distribution Network transportation activity, the metering and meter reading activity and excluded services;

NTS transportation owner activity shall have the meaning given to that term in Special Condition 28A (Revenue restriction definitions) 28A;

LDZ transportation activity shall have the meaning given to that term in Special Condition 28A (Revenue restriction definitions);

metering activity shall have the meaning given to that term in Special Condition 32 (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 30 (Supplementary provisions of the revenue restrictions).

### **Special Condition 30: Supplementary provisions of the revenue restrictions**

1. There may be treated as excluded services services provided by the licensee in the provision of its NTS TO activity, its NTS SO activity or its Distribution Network transportation activity in respect of which charges are made which:
  - (a) do not fall within Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity); 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 NTS TO activity, NTS SO activity, or 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:
  - (a) paragraph 2 of Part 1 a of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity);
  - (b) paragraph 7 of Part 1 b of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity); and
  - (c) paragraph 13 of Part 2 of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity).
  
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 Special Condition 19 (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 its NTS TO activity, NTS SO activity or 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 29 (Allocation of Revenues and Costs of Calculations under the Price Control) prior to issue of such directions related, unless such statement or the accompanying report or certificate referred to in paragraph 5 of that Special Condition or any earlier such statement, report or certificate was incorrect or misleading in any material aspect.

**Amended Special Condition 31: Restriction of Prices in Respect of Tariff Capped Metering Activities**

**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:

Activity	Description	Maximum tariff caps ( $M_t^A$ )
1	Annual charge for providing and maintaining the assets that form a domestic credit meter installation, per meter per annum	£12.29 $\times (1 + RPI_0)$
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 £46.00  
domestic credit meter with a prepayment × (1 + RPI<sub>0</sub>)  
meter, per job undertaken

(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<sub>0</sub> 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<sub>t</sub> 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<sub>t</sub><sup>A</sup> shall be determined using the following formulae:

(i) For Activity 1 and 2 the value of M<sub>t</sub><sup>A</sup> will be calculated using the following formula:

$$M_t^A = (M_{t-1}^A + (M_{t-1}^A \times RPI_t)) - R_t$$



(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.
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(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;
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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 Special Condition 23 (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 Amended Special Condition 23

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 supplier 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 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.

**Special Condition 32: Non-discrimination in the provision of metering activities**

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 Special Condition 23 (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 Special Condition 23 (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 Special Condition 31 (Restriction of prices in respect of tariff capped metering activities).

**Special condition 33: Information to be provided to the Authority in connection with the transportation system revenue restriction**

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 29 (Allocation of revenue and costs for calculations under the price control).

<b>Description</b>	<b>Licence definition</b>	<b>Period</b>	<b>Reporting deadline</b>
<b>NTS transportation owner activity</b>			
TOR <sub>t</sub>	NTS transportation owner revenue	Formula years	By 30 June in formula year t+1
TOREVBEC <sub>t</sub>	Revenue derived from the sale of NTS SO baseline entry capacity	Formula years	By 30 June in formula year t +1
TOExRF <sub>t</sub>	Revenue derived in respect of the provision of NTS firm baseline exit capacity	Formula years	By 30 June in formula year t+1
TOEx <sub>t</sub>	Revenue derived in respect of the provision of NTS firm exit capacity	Formula years	By 30 June in formula year t+1
TOTFEx <sub>t</sub>	Volume of NTS firm exit capacity	Formula years	By 30 June in formula

			year t+1
TOK <sub>t</sub>	NTS TO revenue adjustment	Formula years	By 30 June in formula year t+1

<b>Distribution Network transportation activity</b>			
LDZR <sub>t</sub>	Distribution Network transportation activity revenue	Formula years	By 30 June in formula year t+1
E <sub>t</sub>	Out-turn mains costs	Formula years	By 31 July in formula year t+1
L <sub>n,t</sub>	Lengths of included mains decommissioned by diameter band	Formula years	By 31 July in formula year t+1
LDZK <sub>t</sub>	Distribution Network transportation activity revenue adjustment factor	Formula years	By 30 June in formula 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 <sub>t</sub>	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
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<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

<b>NTS system operation revenue information</b>			
SOMR <sub>t</sub>	Maximum NTS system operation revenue	Formula years	By 30 June in formula year t+1
SOIR <sub>t</sub>	NTS system operation incentive revenue	Formula years	By 30 June in formula year t+1
SOIC <sub>t</sub>	NTS system operation costs	Formula years	By 30 June in formula year t+1
SORA <sub>t</sub>	Any allowance in respect of approved income adjusting events (whether of a positive or negative volume)	Formula years	By 30 June in formula year t+1



SOK <sub>t</sub>	NTS SO revenue adjustment factor	Formula years	By 30 June in formula year t+1
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<b>Exit capacity investment incentive information</b>			
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ExCIIR <sub>t</sub>	Exit capacity investment incentive revenue	Formula years	By 30 June in formula year t+1
ExCP <sub>t</sub>	Exit performance measure	Formula years	By 30 June in formula year t+1
ExCC <sub>t</sub>	Costs incurred in use of constrained storage facilities to avoid transportation constraints	Formula years	By 30 June in formula year t+1
	Volumes, prices paid and charges forgone in respect of NTS exit capacity curtailment rights for all NTS connected sites, aggregated by exit zone	Formula years	By 30 June in formula year t+1
	Volumes, prices paid and charges forgone in respect of LDZ capacity curtailment rights, aggregated by LDZ	Formula years	By 30 June in formula year t+1
	Volumes and payments made in respect of the curtailment of rights to off-take gas from the NTS on plus 15 curtailment days, for all NTS connected sites, aggregated by exit zone	Formula years	By 30 June in formula year t+1

	Volumes and payments made in respect of the curtailment of rights to off-take gas from the LDZs on plus 15 curtailment days, aggregated by LDZ	Formula years	By 30 June in formula year t+1
	Volume and price of capacity bookings in constrained storage facilities	Monthly	2 weeks after month end
IEXR <sub>t</sub>	Incremental exit capacity revenue	Formula years	By 30 June in formula year t+1
TEXC <sub>t</sub>	Actual NTS exit capacity	Formula years	By 30 June in formula year t+1
AExNTSIIC <sub>t</sub>	Weighted average charge payable in respect of the curtailment of rights to off-take gas from the NTS on plus 15 curtailment days	Formula years	By 30 June in formula year t+1
AExLDZIIC <sub>t</sub>	Weighted average charge payable in respect of the curtailment of rights to off-take gas from the LDZs on plus 15 curtailment days	Formula years	By 30 June in formula year t+1

<b>Entry capacity buy-back incentive information</b>			
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IECCC <sub>t</sub>	Total entry capacity constraint management costs	Formula year	By 30 June in formula year t+1
IECCC <sub>t</sub>	Total entry capacity constraint	Year to date	Monthly 2 weeks after

	management costs		month end
BBIR <sub>t</sub>	Entry capacity buy-back incentive revenue	Formula year	By 30 June in formula year t+1
BBIR <sub>t</sub>	Cumulative balance and end of year forecast of entry capacity buy-back incentive revenue	Year to date	Monthly 4 weeks after month end
BBCP <sub>t</sub>	Entry capacity buy-back performance measure	Formula year	By 30 June in formula year t+1
BBCP <sub>t</sub>	Entry capacity buy-back performance measure	Year to date	Monthly 4 weeks after month end
BBC <sub>d,t</sub>	Entry capacity buy back costs	day	D+1
	Volume and prices of entry capacity buy-backs by terminal	day	D+1
ECCC <sub>d,t</sub>	Entry capacity constraint payments	day	D+1
	Revenue from daily sales of obligated entry capacity	day	D+1
	Volumes and prices of obligated entry capacity sold daily by terminal	day	D+1
	Revenue from sales of interruptible entry capacity	day	D+1
	Volumes and prices of sales of interruptible entry capacity identifying volumes of use it or	day	D+1

	lose it entry capacity by terminal		
	Revenue from sales of non-obligated incremental system entry capacity	day	D+1
	Volumes and prices of non-obligated incremental system entry capacity by terminal	day	D+1
$RLOC_t$	Revenue from locational sell actions	Formula year	For formula years $t \geq 3$ by 30 June in formula year $t + 1$
	Volumes, locations and prices of locational actions by trade	day	For formula years $t \geq 3$ D + 1
$RCOR_t$	Revenue from system entry overrun charges	Monthly	4 weeks after month end
	Volume and prices of system entry capacity overruns by terminal	Monthly	4 weeks after month end
	Volume of system entry capacity terminal flow advice issued by Transco and any associated costs	Monthly	4 weeks after month end

**Residual balancing incentive information**

$STIP_t$	Sum of total daily residual balancing incentive payments	Formula years	By 30 June in formula year $t+1$
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STIP <sub>t</sub>	Sum of total daily residual balancing incentive payments	Year to date	Monthly 2 weeks after month end
RBIR <sub>t</sub>	Residual gas balancing incentive revenue	Formula years	By 30 June in formula year t+1
RBIR <sub>t</sub>	Cumulative balance and end of year forecast of residual gas balancing incentive revenue	Year to date	Monthly 2 weeks after month end
SDPIP <sub>t</sub>	Sum of daily price incentive payments	Formula years	By 30 June in formula year t+1
SDPIP <sub>t</sub>	Sum of daily price incentive payments	Year to date	Monthly 2 weeks after month end
SDLIP <sub>t</sub>	Sum of daily linepack incentive payments	Formula years	By 30 June in formula year t+1
SDLIP <sub>t</sub>	Sum of daily linepack incentive payments	Year to date	Monthly 2 weeks after month end
DPIP <sub>d,t</sub>	Daily price incentive payment	For each day in the month in question	2 weeks after month end
DLIP <sub>d,t</sub>	Daily linepack incentive payment	For each day in the month in question	2 weeks after month end

PPM <sub>d,t</sub>	Daily residual balancing price performance measure	For each day in the month in question	2 weeks after month end
LPM <sub>d,t</sub>	Linepack performance measure	For each day in the month in question	2 weeks after month end
OLP <sub>d,t</sub>	Opening linepack levels NTS linepack at 06:00 hours on day D	For each day in the month in question	2 weeks after month end
CLP <sub>d,t</sub>	Closing linepack levels NTS linepack at 06:00 hours on day D+1	For each day in the month in question	2 weeks after month end
SAP <sub>d,t</sub>	System average price	Daily	D+1
TMIBP <sub>d,t</sub>	Highest market offer price in relation to an eligible market balancing action	Daily	D+1
TMISP <sub>d,t</sub>	Lowest market offer price in relation to an eligible market balancing action	Daily	D+1

**System balancing incentive information**

SBIR <sub>t</sub>	System balancing incentive revenue	Formula years	By 30 June in formula year t+1
SBIR <sub>t</sub>	Cumulative balance and end of year forecast of system balancing	Year to date	Monthly 4 weeks after

	incentive revenue		month end
GCIR <sub>t</sub>	Gas cost incentive revenue	Formula years	By 30 June in formula year t+1
GCIR <sub>t</sub>	Cumulative balance and end of year forecast of gas cost incentive revenue	Year to date	Monthly 4 weeks after month end
	Daily system gas balancing volumes	For each day in the month in question	2 weeks after month end
SRIR <sub>t</sub>	System reserve incentive revenue	Formula years	By 30 June in formula year t+1
SRIR <sub>t</sub>	Cumulative balance and end of year forecast of system reserve incentive revenue	Year to date	Monthly 4 weeks after month end
GCCP <sub>t</sub>	Gas cost incentive performance measure	Formula years	By 30 June in formula year t+1
GCCP <sub>t</sub>	Gas cost incentive performance measure	Year to date	Monthly 4 weeks after month end
SRCP <sub>t</sub>	System reserve performance measure	Formula years	By 30 June in formula year t+1
SRCP <sub>t</sub>	System reserve performance measure	Year to date	Monthly 4 weeks after

			month end
	Volume and price of Transco's storage bookings by storage facility	For each day in the month in question	2 weeks after month end

**Internal cost incentive information**

ICIR <sub>t</sub>	Internal cost incentive revenue	Formula year	By 30 June in formula year t+1
ICCP <sub>t</sub>	Internal costs performance measure	Formula year	By 30 June in formula year t+1
SOOC <sub>t</sub>	NTS SO operating cost	Formula year	By 30 June in formula year t+1
SODCP <sub>t</sub>	Depreciation on the NTS SO regulatory asset base	Formula year	By 30 June in formula year t+1
SORCP <sub>t</sub>	Deemed return on the NTS SO regulatory asset base	Formula year	By 30 June in formula year t+1

**Other information required for general market monitoring**

	Daily system demand	Daily	D+1
	Daily interconnector flows at Bacton and at Moffat	For each day in the month in question	Two weeks after month end
	Daily system allocations by entry	For each day	Four weeks



	terminal by shipper	in the month in question	after month end
	Daily shipper imbalances	For each day in the month in question	Four weeks after month end
	Shipper system entry capacity holdings excluding daily sales by shipper by terminal by day	For each day in the week in question	One week after week end

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 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the the NTS system operation activity) in respect of the formula year to which the statement relates; and

- that statement used data compiled in accordance with Special Condition 29 (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.
5. The licensee shall provide a statement of the following information to the Authority and publish that statement not later than seven (7) days prior to the start of any allocation of entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day:
- (a) the terminal to which such allocation relates;
  - (b) the amount of unallocated NTS SO baseline entry capacity and unallocated obligated incremental entry capacity at the terminal (both as defined in Special Condition 28A (Revenue restriction definitions)) that is available on the day that the statement is published which the licensee will offer for sale in the allocation and the period to which such capacity relates;
  - (c) the reserve price if any to be applied to such allocations;
  - (d) the licensee's opinion as to future levels of entry capacity at the terminal to which the allocation relates accompanied by background information (if any) in support of such opinion including the licensee's opinion as to future aggregate volumes of gas to be transported through the NTS;
  - (e) the commencement time and date of the allocation; and
  - (f) when the shippers shall be informed of the outcome of the allocation;
6. The licensee shall provide a statement of the following information, by terminal and by the month to which it relates, to the Authority and publish that statement not later than

fourteen (14) days after the close of any allocation of entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day:

- (a) the volume of NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated incremental entry capacity allocated;
- (b) the total amount of the revenue derived and to be derived by the licensee in respect of the NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated incremental entry capacity allocated;
- (c) the highest price accepted by the licensee for a unit of entry capacity allocated;
- (d) the lowest price accepted by the licensee for a unit of entry capacity allocated; and
- (e) the weighted average price accepted by the licensee for a unit of entry capacity allocated.

**Special Condition 34: Licensee’s methodology for determining incremental entry capacity volumes**

1. In this Special Condition:

incremental entry capacity means capacity that is in excess of the obligated entry capacity current at that time as determined in line with paragraph 14(5)(g) of Part 2 of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity).

2. The licensee shall 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 an incremental entry capacity release methodology statement in a form approved by the Authority setting out (consistently with the licensee’s duty under the Act, and the standard, amended standard and Special Conditions) the methodology by which it will determine whether to make incremental entry capacity available for sale to shippers.
3. The statement shall be accompanied by a statement from the licensee's auditors confirming 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 developed a methodology that is in line with the licensee’s duty under the Act, and the standard, amended standard and Special Conditions.
4. Unless the Authority otherwise directs within 2 months, the licensee shall take all reasonable steps to apply the methodology set out in the statement produced pursuant to paragraph 2 of this Special Condition in making any decisions on whether to release incremental entry capacity for sale to shippers.

5. Except where the Authority directs otherwise, before revising the incremental entry capacity release methodology statement 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 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 5(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.
6. The licensee shall not revise the incremental entry capacity release methodology statement:
- (i) where paragraph 5(iv) in 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 5(iii) in this Special Condition; or
  - (iii) if within the period referred to in paragraph 5(ii) of this Special Condition the Authority directs the licensee not to make the revision.

7. (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 2 of this Special Condition in consultation with shippers 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 7(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 and Special Conditions; and
    - (iii) any written representations or objections from shippers 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 paragraph 7(b)(ii) of this Special Condition and only if the Authority consents to such revision.
8. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 2 of this Special Condition.
  9. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 2, 3, 4, 5, 6 and 7 of this Special Condition and of all revisions to any such statements and reports.
  10. The licensee shall:
    - (a) publish (in such manner as the Authority may approve) the statements prepared pursuant to paragraph 2 of this Special Condition and each revision thereof, and

(b) send a copy of each statement and report prepared pursuant to paragraphs 2, 3, 4, 5, 6 and 7 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 10(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).

11. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 10(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.

### **Special Condition 35: NTS performance reporting**

1. The principal purpose of this Special Condition is to secure the collection of information to an appropriate degree of accuracy, by the licensee so as:
  - (a) to monitor the environmental performance of the NTS; and
  - (b) to 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 NTS TO activity revenue restriction in Special Condition 28B Part 1 a (The NTS transportation owner activity, the Distribution Network transportation activity revenue restriction);

charging review date means any date from which modifications to Special Condition 28B Part 1 a (The NTS transportation owner activity revenue restriction) relating to the NTS have effect.

(a) whether before or after the date upon which the modifications are made; and

(b) where such modifications have been proposed by the Authority following a review by the Authority of the revenue restrictions in Special Condition 28B Part 1 a (The NTS transportation owner activity revenue restriction) (or that Part to which the modifications relate) in relation to the licensee;



NTS mean the licensee's national transmission system (having the meaning given to that term in the licensee's Network Code);

regulatory instructions and guidance means any instructions and guidance issued by the Authority for the purposes of this Special Condition as modified from time to time by notice under paragraph 9 and may include:

- (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; and

- (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;

specified information means:

- (a) information regarding environmental measures including:
  - (i) methane emissions from the NTS in each formula year measured in kilograms per gigawatt hour; and
  - (ii) carbon dioxide emissions from gas powered compressor stations in each formula year measured in kilograms per gigawatt hour; and
  - (iii) nitrogen oxide emissions from gas powered compressor stations in each formula year in the formal manner specified in the regulatory instructions and guidance.
- (b) an analysis of trends observable from the NTS environment measures;
- (c) supporting information including
  - (i) information regarding all new connections from the NTS to premises or pipeline systems operated by an authorised gas transporter to the NTS;

- (ii) information regarding all rechargeable diversions from the NTS;
  - (iii) information regarding the accuracy of one and three-year ahead annual demand forecasts; and,
  - (d) 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-paragraphs (a) – (c) of the definition of specified information from and including 1 April 2002; and
  - (b) any matter specified under sub-paragraph (d) of that definition from the date specified in a notice given in accordance with paragraph 9.
- 5. (a) The licensee shall provide to the Authority the information referred to in sub-paragraphs (a) – (c) of the definition of specified information on or before 31 July 2003 and 31 July in each succeeding year (or such later date as the Authority may by notice specify) in respect of the period of 12 months ending on the preceding 31 March; and
  - (b) the information referred to in sub-paragraph (d) 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 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) cooperate 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 (other than information which is subject to legal privilege);
    - (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 NTS 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, and the date it is proposed it should take effect;
  - (ii) stating the reasons why it proposes to make the amendment; and
  - (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 the 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 the 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.

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 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 or give information which it could not be compelled to produce or give in evidence in civil proceedings before a court.

### **Special Condition 36: LDZ incentive scheme and performance reporting**

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

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

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

- (a) whether before or after the date upon which the modifications are made;

(b) where such modifications have been proposed by the Authority following a review by the Authority of the revenue restrictions in Special Condition 28B 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 28A (Revenue restriction definitions);

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

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

LDZ peak demand has the meaning given in standard condition 16 (pipe-line system security standards);

M number database means the licensee's database which allocates a unique number to identify particular supply meter points as defined in the licensee's Network Code;

supply year for the purposes of this Special Condition only, means any continuous period of twelve months commencing 1 October in each year and ending on 30 September in the immediately following year;

regulatory instructions and guidance means any instructions and guidance issued by the Authority for the purposes of this Special Condition as modified from time to time by notice under paragraph 9 and may include:



- (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 as defined in Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity) in respect of the LDZ network and each 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;

(b) the matters specified in sub-paragraph (b)-(h) of the definition of specified information from and including 1 April 2002; and

(c) any matter specified under sub-paragraph (i) of that definition from the date specified in a notice given in accordance with paragraph 9.

5. The licensee shall provide to the Authority:

(a) the information referred to in sub-paragraph (a) of the definition of specified information, with respect to the formula years commencing on 1 April 2003 and 1 April 2004, on or before 31 July (information regarding the previous quarter), 31 October (information regarding the previous quarter), 31 January (information regarding the previous quarter) and 30 April (information regarding the previous

quarter and the previous formula year) in each respective year (or on such later dates as the Authority may by notice specify);

- (b) the information referred to in sub-paragraph (a) of the definition of specified information, on 30 April 2006 and then annually on that date (information regarding the previous formula year) (or on such later dates as the Authority may by notice specify);
  - (c) the information referred to in sub-paragraphs (b) - (h) of the definition of specified information on 31 July 2003 and then annually on that date (information regarding the previous formula year) (or on such later dates as the Authority may by notice specify); and
  - (d) the information referred to in sub-paragraph (i) of the definition of specified information in respect of such period and by such date as shall be specified in the relevant notice in accordance with that sub-paragraph.
6. The licensee shall permit a person or persons nominated by the Authority (in each case “an examiner”) to examine the systems, processes and procedures referred to in paragraph 2 and their operation, the specified information and the extent to which each complies, and is in accordance, with this Special Condition and the regulatory instructions and guidance.
7. The licensee shall (and shall procure, insofar as it is able to do so, that any affiliate of the licensee, any person by whom it procures the performance of the obligation in paragraph 2 and any auditor of such person or of the licensee shall) co-operate fully with an examiner so as to enable him to carry out, complete and report to the Authority on any examination carried out in accordance with paragraph 6.
8. The licensee’s obligation under paragraph 7 to cooperate or procure cooperation with an examiner shall include, without limitation and insofar as necessary or expedient for such purpose, in each case subject to reasonable prior notice to the licensee:



- (a) providing access to management, employees, agents or independent contractors of the licensee sufficient to enable the examiner to make any enquiries and to discuss any matters which he reasonably considers to be relevant to the carrying out of the examination;
- (b) giving to the examiner access at reasonable hours to any premises occupied by the licensee or any other person in performing the obligations set out in this Special Condition; and
- (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 37: Exit code statement**

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 TO activity and/or the NTS SO activity by the Distribution Network transportation activity; and (2) the Distribution Network transportation activity by the NTS TO activity and/or the NTS SO activity in the previous formula year; and
  - (ii) provide details of any revenue received or charges made by (1) by the LDZ transportation activity from the NTS TO activity and/or NTS SO activity ; and (2) by the NTS SO activity and/or the NTS TO activity from the Distribution Network transportation activity in respect of each of the services referred to in (i) above in the previous formula year.

**Special Condition 38: Restriction on Use of Information deriving from the EnMo**

**Business**

1. The licensee shall procure that each ultimate holding company of the licensee which is also an ultimate holding company of EnMo (a “relevant ultimate holding company”) shall give an undertaking in the form described in paragraph 5.
2. Without prejudice to the licensee’s obligation under paragraph 1, any breach of the undertaking given pursuant to paragraph 1 shall be a breach by the licensee of the licence.
3. Any information, held by EnMo or any subsidiary or holding company of EnMo, or by any employee, agent, adviser, consultant, contractor, director or officer of EnMo or of any subsidiary or holding company of EnMo (each such legal or natural person being called “an EnMo source”), relating to volumes or prices of gas, electricity and related products or services, traded or to be traded in the course of EnMo business or relating to any of the parties to any such trade in relation thereto shall be confidential information (“EnMo confidential information”).
4. Notwithstanding paragraph 3, the following information shall not fall within the definition of EnMo confidential information for the purpose of this special condition:-
  - (i) information which is in the public domain, other than through breach of the undertaking given pursuant to paragraph 1;
  - (ii) information solely in relation to trades by or on behalf of the licensee through the EnMo business (to the extent the same is properly disclosed to the licensee in the ordinary course of the EnMo business in compliance with all applicable laws, regulations and contracts);
  - (iii) information which is disclosed in accordance with the terms of any consent given by the Authority or by the person entitled to disclose it; or

- (iv) information which EnMo is contractually obliged to provide to the licensee pursuant to the Network Code or a contract entitled “Within Day Gas Market: Market Operator Appointment Contract dated 1 September 1999”.
5. The licensee shall procure from each relevant ultimate holding company a legally enforceable undertaking in favour of the licensee that the relevant ultimate holding company shall use its best endeavours to ensure that no EnMo confidential information shall be disclosed to or otherwise howsoever come into the possession of the licensee whether directly or indirectly from an EnMo source. Such undertaking shall be obtained from each relevant ultimate holding company within seven (7) days of that company becoming a relevant ultimate holding company and shall remain in force so long as it remains a relevant ultimate holding company.
6. The licensee shall:
- (d) deliver to the Authority evidence (including a copy of the undertaking) that the licensee has complied with the obligation to procure the undertaking pursuant to this special condition;
  - (e) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached or that there has been a change in identity of a relevant ultimate holding company; and
  - (f) comply with any direction from the Authority to enforce any such undertaking.
7. In the event that any EnMo confidential information comes into the possession of the licensee, the licensee shall ensure that such information shall be treated as confidential, and shall not be used in any respect for the purpose of or in connection with the management or operation the Transco Business.
8. In this special condition:

“EnMo” means EnMo Limited, a company incorporated in

England and Wales under the Companies Act 1985 (registered number 3751681) and having its registered office at 15 Marylebone Road, London, NW1 5JD.

“EnMo business” means any business carried on by EnMo including, without limitation, the operation of the On-the-Day Commodity Market in gas operated by EnMo.

“information” shall include, without limitation, any documents, accounts, estimates, returns, records or reports and data in written, verbal or electronic format and information in any form or medium whatsoever.

“ultimate holding company” shall mean any company or body corporate which is a holding company and is not itself a subsidiary of another company or body corporate.

### **Special Condition 39: Charging of Gas Shippers – Domestic Infill Premises**

1. Where the licensee makes charges in accordance with amended standard condition 4 (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;
  - (b) 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;
  - (c) 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;
  - (d) 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
  - (e) the Authority may direct the licensee not to make the surcharge within 28 days of the notification in (e) above.



## SCHEDULE A: NTS OUTPUT MEASURES FOR THE PRICE CONTROL

1. With regard to the maximum revenue allowances provide to Transco pursuant to Part I a and Part 2 of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity, the Distribution Network transportation activity and the NTS system operation activity), the following baseline output measures shall apply.

**Table A1: NTS TO baseline entry capacity (GWh/day)**

<b>Terminal</b>	<b>2002/3</b>	<b>2003/4</b>	<b>2004/5</b>	<b>2005/6</b>	<b>2006/7</b>
Bacton	1527	1646	1839	1939	1939
Barrow	812	790	790	791	791
Easington	1105	985	1141	1180	1180
St. Fergus	1689	1721	1809	1831	1863
Teesside	910	823	834	845	845
Theddlethorpe	758	628	879	942	942
Glenmavis	110	110	110	110	110
Partington	239	239	239	239	239
Avonmouth	165	165	165	165	165
Isle of Grain	243	243	243	243	243
Dynevor Arms	55	55	55	55	55
Hornsea	195	195	195	195	195
Hatfield Moor (storage)	60	60	60	60	60
Hatfield Moor (onshore)	1.1	1.1	1.1	1.1	1.1
Cheshire	0	0	119	179	238
Hole House Farm	29	29	29	29	29
Wytch Farm	3.6	3.6	3.6	3.6	3.6
Burton Point	61.3	61.3	61.3	61.3	61.3
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0

**Table A2: Initial NTS SO baseline entry capacity (GWh/day)**

	MONTH				
	1≤m≤12	13≤m≤24	25≤m≤36	37≤m≤48	m≥49
<b>Terminal</b>	<b>2002/3</b>	<b>2003/4</b>	<b>2004/5</b>	<b>2005/6</b>	<b>2006/7</b>
Bacton	1374	1481	1655	1745	1745
Barrow	731	711	711	712	712
Easington	995	887	1027	1062	1062
St. Fergus	1520	1549	1628	1648	1677
Teesside	819	741	751	761	761
Theddlethorpe	682	565	791	848	848
Glenmavis	99	99	99	99	99
Partington	215	215	215	215	215
Avonmouth	149	149	149	149	149
Isle of Grain	218	218	218	218	218
Dynevor Arms	50	50	50	50	50
Hornsea	175	175	175	175	175
Hatfield Moor (storage)	54	54	54	54	54
Hatfield Moor (onshore)	1	1	1	1	1
Cheshire	0	0	107	161	214
Hole House Farm	26	26	26	26	26
Wytch Farm	3.2	3.2	3.2	3.2	3.2
Burton Point	55	55	55	55	55
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0

**Table A3: NTS baseline firm exit capacity (GWh/day)**

	2002/3	2003/4	2004/5	2005/6	2006/7
<b>Firm exit capacity by LDZs</b>					
Scotland	343	348	355	362	367
Northern	265	271	278	283	287
North West	538	550	557	563	568
North East	279	283	287	290	293
East Midlands	464	470	477	483	488
West Midlands	454	459	464	470	475
Wales North	51	52	54	55	57
Wales South	198	201	204	208	211
Eastern	359	366	372	377	382
North Thames	508	512	516	520	525
South East	516	523	526	529	532
Southern	380	394	402	409	414
South West	279	284	290	295	299
Total firm exit capacity for LDZ loads	4633	4713	4782	4844	4897
Firm exit capacity for NTS loads	1488	1529	1592	1653	1691
<b>Total firm baseline NTS exit capacity</b>	<b>6121</b>	<b>6241</b>	<b>6374</b>	<b>6497</b>	<b>6588</b>

**Table A4: NTS baseline interruptible exit capacity (GWh/day)**

	2002/3	2003/4	2004/5	2005/6	2006/7
<b>Interruptible exit capacity by LDZs</b>					
Scotland	47	54	56	58	60
Northern	33	34	37	38	39
North West	72	75	77	78	78
North East	38	40	41	42	43
East Midlands	75	77	89	93	99
West Midlands	35	36	37	37	37
Wales North	7	7	8	8	9
Wales South	28	29	31	32	32
Eastern	36	36	37	37	37
North Thames	40	45	47	48	49
South East	40	44	44	51	61
Southern	36	37	38	38	40
South West	32	33	34	34	34
Total interruptible exit capacity for LDZ loads	521	548	576	595	619
Interruptible exit capacity for NTS loads	1073	1141	1142	1147	1148
<b>Total interruptible NTS baseline exit capacity</b>	<b>1594</b>	<b>1689</b>	<b>1718</b>	<b>1742</b>	<b>1767</b>

## STANDARD CONDITIONS NOT APPLICABLE TO THIS LICENCE

### **Standard Condition 43. Restriction on Activity and Financial Ring-Fencing**

1. Subject to paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transportation business.
  
2. The licensee shall not, without the prior written consent of the Authority, hold or acquire shares or other investments of any kind except -
  - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;
  - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the transportation business; or
  - (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or in the absence of any such requirement recommended) from time to time for listed companies in the United Kingdom.
  
3. Subject to the provisions of paragraph 2 nothing in this condition shall prevent:
  - (a) any affiliate in which the licensee does not hold shares or other investments or related undertaking from conducting any business or carrying on any activity;
  - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistently with the provisions of this licence;
  - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or

- (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
4. Nothing in this condition shall prevent the licensee conducting de-minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with.
- (a) For the purpose of this paragraph “ de-minimis business” means any business or activity carried on by the licensee other than the transportation business.
  - (b) The licensee may carry on de-minimis business provided that neither of the following limitations is exceeded, namely:
    - (i) the aggregate turnover of all the de-minimis business of the licensee does not in any period of twelve months commencing on 1 April of any year exceed 2½% of the aggregate turnover of the transportation business as shown by its most recent audited accounting statements produced under paragraphs 2(b)(i) and (c) of standard condition 30 (Regulatory Accounts); and
    - (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in all its de-minimis business does not at any time after the date when this condition takes effect in this licence exceed 2½% of the sum of share capital in issue, share premium and consolidated reserves of the licensee as shown by its most recent audited historical cost financial statements then available.
  - (c) For the purpose of sub-paragraph (b) of this paragraph, “investment” means any form of financial support or assistance given by or on behalf of the licensee for the de-minimis business whether on a temporary or permanent basis including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
  - (d) At any relevant time, the amount of an investment shall be the sum of
    - (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting

reference date to have occurred prior to the date when this condition takes effect in this licence (or, where the investment was not so included, zero),

- (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date and
- (iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period.

#### **Standard Condition 44. Availability of Resources**

1. The licensee shall at all times act in a manner calculated to secure that it has sufficient management resources, financial resources and financial facilities to enable it -
  - (a) to carry on the transportation business; and
  - (b) to comply with its obligations under this licence and such of its obligations under the Act as apply to the transportation business.
  
2. The licensee shall submit a 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 in 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 financial resources and financial facilities to enable the licensee to carry on the transportation business 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 financial resources and financial facilities to enable the licensee to carry on the transportation business 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 transportation business...”
  - (c) “In the opinion of the directors of the licensee, the licensee will not have available to it sufficient financial resources and financial facilities to enable



the licensee to carry on the transportation business 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 which causes them no longer to have the reasonable expectation expressed in the then most recent certificate given under paragraph 2.
5. 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 standard condition 24 (Provision of Information to the Authority), standard condition 43 (Restriction on Activity and Financial Ring-fencing), standard condition 44 (Availability of Resources), standard condition 45 (Undertaking

from Ultimate Controller, standard condition 46 (Credit Rating of Licensee) and 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 where such payment is made within six months of that certificate.

#### **Standard Condition 46. Credit Rating of Licensee**

1. The licensee shall use all reasonable endeavours to ensure that the licensee maintains at all times an investment grade issuer credit rating.

2. In this condition:

“investment grade issuer credit rating” means –

- (a) a rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries or not less than Baa3 by Moody’s Investors Service, Inc. or any of its subsidiaries or such higher rating as shall be specified by either of them from time to time as the lowest investment grade credit rating; or
- (b) an equivalent rating from any other reputable credit rating agency which, in the opinion of the Authority, has comparable standing in the United Kingdom and the United States of America.

**SCHEDULE 1**

**SPECIFIED AREA**

Great Britain

## **SCHEDULE 2**

### **REVOCATION OF LICENCE**

1. The Authority may at any time revoke the licence by giving not less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(j)) 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 prior to receipt of a notice from Transco plc (a company registered in England and Wales under number 2006000 and formerly known as British Gas plc) pursuant to Amended Standard Condition 29 (Disposal of Assets) of Transco plc's gas transporter's licence which was amended and restated by a licensing scheme made by the Secretary of State on 28 September 2001 (the "original Transco Licence") that it intends (as part of its proposed sale of one or more of its local gas distribution networks as announced by National Grid Transco plc in May 2003) to dispose of transportation assets comprising of certain gas network businesses, the Authority determines that the licence is not required by Transco plc as part of such proposed sale;
  - (d) if, following receipt of a notice from Transco plc of its intention (as part of its proposed sale of one or more of its local gas distribution networks as announced by National Grid Transco plc in May 2003) to dispose of transportation assets comprising of certain gas network businesses (pursuant to Amended Standard Condition 29 (Disposal of Assets) of the original Transco Licence (" a relevant Disposal Notice") the Authority informs Transco plc in writing of its objection to the proposed disposal of such transportation assets. Save that the Authority shall not revoke the licence pursuant to this paragraph 1(d) where:

- (i) it has consented to the proposed disposal of one or more gas network businesses to which a relevant Disposal Notice from Transco plc related; and
  - (ii) it has informed Transco in writing of its objection to the proposed disposal of one or more other gas network businesses to which a relevant Disposal Notice from Transco plc related; and
  - (iii) the number of gas transporter licences held by Transco plc (excluding the original Transco licence) would, if the revocation of the licence was to take place, be less than the number of gas network businesses the disposal of which the Authority has consented to. For the purposes of this sub-paragraph, gas network businesses which are to be disposed of by Transco plc pursuant to Amended Standard Condition 29 of the original Transco Licence but which are not to be sold to third party purchasers as part of the sale of one or more of Transco plc's local gas distribution networks as announced by National Grid Transco plc in May 2003 shall be deemed to comprise a single gas network business.
- (e). if any conditions specified as part of any consent (pursuant to Amended Standard Condition 29 of the original Transco licence) to disposal or any other consent granted by the Authority as part of the proposed sale of one or more of Transco plc's local gas distribution networks as announced by National Grid Transco plc in May 2003 (including, without limitation consents relating to the completion of any share sale) are not complied with and/or where any condition to any such consent requires Transco plc to obtain further consent from the Authority and such consent is not granted
- (f). if the transportation assets comprising of certain gas network businesses to be disposed of by Transco plc as part of the proposed sale of one or more of its local gas distribution networks (as announced by National Grid Transco plc in May 2003) are not disposed of within a time period which may be specified by the Authority as part of any consent granted by the Authority pursuant to Amended Standard Condition 29 (Disposal of Assets) of the original Transco Licence. Save that the Authority shall not revoke the licence pursuant to this paragraph 1(f) where:
  - (i) one or more gas network businesses to which a relevant Disposal Notice from Transco plc related have been disposed of within the time period specified by the Authority as part of its consent; and

- (ii) one or more other such gas network businesses have not been disposed of within the time period specified by the Authority as part of its consent; and
- (iii) the number of gas transporter licences held by Transco plc (excluding the original Transco licence) would, if the revocation of the licence was to take place, be less than the number of gas network businesses which have been disposed of within the time period specified by the Authority as part of its consent. For the purposes of this sub-paragraph, gas network businesses which are to be disposed of by Transco plc pursuant to Amended Standard Condition 29 of the original Transco Licence but which are not to be sold to third party purchasers as part of the sale of one or more of Transco plc's local gas distribution networks as announced by National Grid Transco plc in May 2003 shall be deemed to comprise a single gas network business.

(g). 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;

(h) if the licensee fails to comply with:

- (i) an order made by a relevant authority under sections 158 or 160 of the Enterprise Act 2002; or
  - (ii) an order made by the court under section 34 of the Competition Act 1998; or
  - (iii) an order by the Competition Commission under sections 76, 81, 83, 84 and 161 of the Enterprise Act 2002; or
  - (iv) an order made by the Secretary of State under sections 66, 160 or 161 of the Enterprise Act 2002.
- (i) 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
- (j) 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 Schedule B1 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
- (k) 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(j)(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(j)(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**

Great Britain

