

**Special Condition E2A: Revenue restriction definitions in respect of the
Distribution Network**

1. In this Special Condition:

appropriate auditors means any auditors for the time being holding office in accordance with the requirements of the Companies Act 1985;

Audit means an investigation by appropriate auditors, the scope and objectives of which shall be set by the licensee and approved by the Authority;

commercial user quantity means the aggregate quantity of gas in kilowatt hours, taken off the Distribution Network in respect of the formula year by persons other than the licensee supplied with at least 5,860,000 kilowatt hours of gas but less than 1,465,355,000 kilowatt hours of gas in the formula year;

connected system exit point has the meaning given to that term in Transco plc'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 Transco plc's Network Code;

Distribution Network means the relevant gas distribution network defined with reference to the aggregate of its constituent Local Distribution Zones (LDZs) (having the meaning given to that term in Transco plc's Network Code) as set out in the table below:

Distribution Network	Local Distribution Zone (LDZ)
North West	North West
East of England	East Midlands, Eastern
West Midlands	West Midlands
London	North Thames

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Distribution Network transportation activity

means the activities of the licensee connected with the development, administration, maintenance and operation of the Distribution Network and with the supply of Distribution Network services;

Distribution Network transportation activity revenue

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

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Distribution Network transportation quantity

means the aggregate quantity of gas in kilowatt hours introduced into the Distribution Network as a result of arrangements with gas shippers and Distribution Network Operators in respect of formula year t less LDZ shrinkage calculated in accordance with Transco plc's Network Code;

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entry capacity

has the meaning given to the term system entry capacity in Transco plc's Network Code;

entry capacity constraint management services

means the undertaking of engagements by Transco plc relating to the management of rights to input gas to the NTS;

exit capacity constraint management services

means the undertaking of engagements by Transco plc 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 Transco plc'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 2004 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 by Transco plc relating to the provision of entry capacity other than NTS SO baseline entry capacity;
incremental exit capacity services	means the undertaking of engagements by Transco plc 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 within Transco plc's NTS GT licence;
interruptible entry capacity	has the meaning given to the term interruptible system entry capacity in Transco plc'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 Transco plc's Network Code;

Deleted: means exit capacity curtailment rights held by the licensee in respect of LDZ capacity;

Deleted: LDZ capacity curtailment rights

LDZ shrinkage means the sum of LDZ own use gas and LDZ unaccounted for gas (both having the meanings given to those terms in Transco plc's Network Code);

Deleted: means the aggregate of the local distribution zones (having the meaning given to that term in Transco plc's Network Code) comprised within the relevant Distribution Network;¶

Deleted: LDZ network or LDZs

NExA means a network exit agreement (having the meaning given to that term in Transco plc's Network Code);

non-obligated incremental entry capacity means firm entry capacity other than obligated entry capacity;

NTS means the National Transmission System (having the meaning given to that term in Transco plc'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 within Transco plc's NTS GT licence;

NTS baseline interruptible exit capacity means in respect of each period the NTS interruptible exit capacity specified in table A4 of schedule A within Transco plc's NTS GT licence;

NTS exit capacity shall have the meaning given to that term in Transco plc's Network Code;

NTS flow flexibility shall have the meaning given to that term in Transco plc's Network Code;

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 Transco plc's Network Code);

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

means engagements undertaken by Transco plc 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:

(i) incremental entry capacity services;

(ii) incremental exit capacity services;

(iii) residual gas balancing services;

(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);

(v) entry capacity constraint management services;

(vi) exit capacity constraint management services; and

(vii) the provision of services in relation to gas quality;

NTS transportation owner activity or NTS TO activity	means the activities of Transco plc connected with the development, administration and maintenance of the NTS and with the supply of NTS services;
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 Transco plc is required to offer for sale in accordance with paragraph 14(5)(b) of Part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity) within Transco plc's NTS GT licence;
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;
residual gas balancing services	means the undertaking of engagements by Transco plc relating to the acquisition or disposal of gas to ensure the safe and efficient operation 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 Distribution Network in respect of formula year t by persons who are supplied through a supply point that is interruptible (in accordance with Transco plc'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

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Deleted: 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;¶

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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;

subscriber

means the relevant formula year;

supply of Distribution Network services

means the undertaking and performance for gain or reward of engagements:

(a) in connection with the conveyance of gas through the Distribution Network;

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(b) for the prevention of the escape of gas which has been taken off the Distribution Network; and

(c) for the acquisition or disposal of gas for the efficient operation of the Distribution Network or for replacing gas lost from the system

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but shall not include other engagements for the acquisition or disposal of gas

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supply of NTS services

means the undertaking and performance for gain and reward of engagements by Transco plc:

(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 Distribution

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 Distribution Network;

supply point

has the meaning given to that term in Transco plc's Network Code;

system balancing services

means the undertaking of engagements by Transco plc 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 Transco plc'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 Transco plc's Network Code);

Transco plc's Network Code

means the Network Code which Transco plc is required to have in place in accordance with Standard Special Condition A11 (Network Code) of Transco plc's Gas Transporter licence;

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transportation system

means the system (having the meaning given to that term in Transco plc's Network Code);

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very large user quantity

means the aggregate quantity of gas in kilowatt hours,

taken off the Distribution Network in a formula year by persons other than the licensee supplied with at least 1,465,355,000 kilowatt hours of gas in the formula year.

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