

Standard Special Condition A4. Charging – General

1. The licensee shall furnish the Authority with a statement of -
 - (a) the charges to be made in pursuance of transportation arrangements 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) NOT USED
 - (b) NOT USED
 - (c) comply with the joint governance arrangements (as defined in Standard Special Condition A12 (Joint Office Governance Arrangements)) to the extent that such arrangements relate to the administration of any changes referred to in sub-paragraph (a), if applicable, made by the licensee and with any such changes made by any other relevant gas transporter;
 - (d) 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

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use all reasonable endeavours to do so at least 150 days before the proposed date of their implementation; and

- (e) 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.

2A. In relation to any information provided under sub-paragraph (b) of paragraph 2, if applicable, the Authority:

- (i) may, if it considers that the information provided is insufficient, request that this information be supplemented with additional material that it considers appropriate; and
- (ii) shall make public the information (other than any confidential information) supplied by the licensee in any statement made under sub-paragraph (b) of paragraph 2, if applicable, and any supplementary information provided to the Authority following its receipt in response to a request under sub-paragraph (i).

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,

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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, **if applicable**, the licensee shall -

- (a) establish a methodology showing the methods by which, and the principles on which (except in a case in which the Authority accepts otherwise) such charges as are mentioned in paragraph 1(a) and such reserve prices as are mentioned in paragraph 1(b) are to be determined; and
- (b) conform to the methodology so established as from time to time modified in accordance with Standard Special Condition A5 (Obligations as Regards Charging Methodology).

6. **NOT USED**

7. **NOT USED**

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 **pipe-line system to which this licence relates**; or
- (b) to the extent (if any) to which the Authority has accepted that they should, as respects certain matters, be so determined, to charges determined by reference to provisions in that behalf set out in the **network code**,

and, subject as aforesaid, references in this condition and in Standard Special Condition A5 (Obligations as Regards Charging Methodology) and Standard Condition 4B (Connection Charges etc) to charges **include references to the means whereby charges may be ascertained.**

9. **NOT USED**

11. In this condition

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| “transportation arrangements” | shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-line system or any part thereof”. |
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Standard Special Condition A5. 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, 2A and 3, from time to time make such modifications of the methodology established in pursuance of paragraph 5 of Standard Special Condition A4 (**Charging – 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 gas 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 gas 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 **not** be made.

2A. The licensee shall –

(a) for the purposes of ensuring that the charging methodology achieves the relevant methodology objectives, keep the charging methodology at all times under review;

(b) **NOT USED**

(c) comply with the **joint governance arrangements** (as defined in Standard Special Condition A12 (Joint Office Governance Arrangements)) to the extent that such arrangements relate to the

administration of any **changes** referred to in sub-paragraph **(b)**, if **applicable**, made by the licensee **and** with any such **changes** made by any other **relevant gas transporter**.

3. Subject to paragraph 4, the licensee shall in each formula 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 formula 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

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- (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 or Standard Special Condition of this licence other than Standard Special Condition A4 (Charging – 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 or Standard Special 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) 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;
- (ii) 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 which it could not be compelled to give in evidence or produce in civil proceedings before the court.

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:

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| <p>“transportation arrangements”</p> | <p>shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-</p> |
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| | line system or any part thereof; and |
| <p>“supply of transportation services”</p> | <p>shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to “transportation system” shall be construed as meaning the facilities to which this licence relates which are used by the licensee for the conveyance of gas within Great Britain or any part thereof.</p> |

Special Condition C7. Charging obligations (NTS)

1. Amendments to Standard Special Condition A4 (Charging - General)

Standard Special Condition A4 (Charging – General) shall be amended by:-

(a) inserting the words “and/or DN operators as appropriate” after “specified descriptions of gas shipper” in sub-paragraph (a) of paragraph 1; and

(b) in paragraph 2, the deletion of the words “NOT USED” and the insertion of the following at sub-paragraphs (a) and (b):

“(a) use its reasonable endeavours:

(i) not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and

(ii) not to make any changes to charges or reserve prices in relation to NTS exit capacity and NTS flow flexibility more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may by notice in writing direct;

(b) if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in sub-paragraphs (a) (i) and (a) (ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:

(i) stating the reasons for this change; and

(ii) clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;”

2. Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be amended by:-

(a) inserting the words “and/or DN operators as appropriate” after “consulted the gas shippers” in sub-paragraph (a) of paragraph 2 and after “made by gas shippers” in sub-paragraph (b) (ii) of paragraph 2;

(b) in paragraph 2A, the deletion of the words “NOT USED” and the insertion of the following at sub-paragraph (b):

“(b) use its reasonable endeavours:

(i) not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and

(ii) only to make changes to the charging methodology in relation to NTS exit capacity and NTS flow flexibility on 1 October in each formula year or at such other time as the Authority may by notice in writing direct;”

(c) In paragraph 11:

(i) the deletion of “and” at the end of the “transportation arrangements” definition;

(ii) the deletion of “thereof.” and replacement by “thereof; and” at the end of the “supply of transportation services” definition; and

(iii) the insertion of the following definition after the definition of “supply of transportation services”:

[“as appropriate” means, in the context of consulting DN operators pursuant to sub-paragraphs (a) and (b) of paragraph 2, that DN operators shall be consulted if a modification to the charging methodology in relation to NTS exit

capacity and NTS flow flexibility is proposed by the licensee.]

Special Condition E7. Charging obligations

1. Amendments to Standard Special Condition A4 (Charging - General)

Standard Special Condition A4 (Charging – General) shall be amended by:-

(a) in paragraph 1, the insertion of “, for each Distribution Network (as defined in Special Condition E2A), where applicable, ” after the words “the licence shall”;

(b) in paragraph 2, the deletion of the words “NOT USED” and the insertion of the following at sub-paragraphs (a) and (b):

“(a) use its reasonable endeavours not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may by notice in writing direct;

(b) if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on a date other than that specified in sub-paragraph (a), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:

(i) stating the reasons for this change; and

(ii) clearly identifying whether any of the information is of a confidential nature.”

2. Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be shall be amended by:-

- (a) in paragraph 1, the insertion of “, for each Distribution Network (as defined in Special Condition E2A), where applicable, ” after the words “the licence shall”;
- (b) in paragraph 2A, the deletion of the words “NOT USED” and the insertion of the following at sub-paragraph (b):

“(b) use its reasonable endeavours not to make any changes to the charging methodology more frequently than **once** in each formula year **and for such changes to take place on 1 October** in each formula year or at such other time as the Authority may by notice in writing direct; and”