

**Definition of independent system to be included within Standard Special Condition A3: Definitions and Interpretation**

“independent system”	means a pipe-line system in Great Britain to which this licence relates of the licensee which includes relevant mains and which is not connected (directly or indirectly) by pipes to the main pipe-line system of <del>Transeo</del> a relevant gas transporter;
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**Standard Special Condition A5. Obligations as Regard Charging Methodology**

[changes highlighted in blue in this condition indicate those made to take account of the independent systems / alternative arrangements]

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, **or in response to a determination by the Secretary of State under paragraph 2A of Standard Special Condition A27 (Disposal of Assets)**, 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;
  - (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;
  - (c)** 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;
- (c) that, so far as is consistent with sub-paragraph (a), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and
- (d) that the charging methodology reflects any alternative arrangements put in place in accordance with a determination by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).

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:

<p><b>“transportation arrangements”</b></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-line system or any part thereof; and</p>
<p><b>“supply of transportation services”</b></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>

**Standard Special Condition A27. Disposal of Assets**

1. The licensee shall not dispose of or relinquish operational control over any transportation 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, 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 which remains an independent system:
  - (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 sub-paragraph 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 it will not comply with such suitable alternative arrangement as the Secretary of State shall determine, the licensee shall comply with the direction.
  - (c) The licensee shall at all times comply with the alternative arrangements determined by the Secretary of State as suitable under

sub-paragraph 2A(a) above in respect of independent systems operated by the licensee.

3. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over a transportation 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 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”: means

- (a) in relation to disposal of a transportation 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 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;

“relevant premises” means

- (a) any premises connected to a system to which this licence relates which was an independent system on the appointed day and which remains an independent system; and
- (b) any premises of domestic customers subsequently connected, in pursuance of section 10 of the Act, to a system to which this licence relates which was an independent system on the appointed day and which remains an independent system.

“relinquishment of operational control” includes, without limitation, entering into any agreement or arrangement whereby operational control of a transportation asset or transportation assets is not or ceases to be under the sole management of the licensee.

“transportation asset” means any part of the **pipe-line system to which this licence relates** 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.