

DISCLAIMER

This draft of the licence proposed for discussion at DISG on 28 January 2005, does not in any way, fetter the discretion of the Authority in respect of any matter relating to DN sales, including without limitation (1) with respect to the policy proposals or licence drafting that will be formally consulted upon in February 2005 by way of section 23 notice and s8AA notice; and /or (2) in respect of the licence modifications proposed under the section 23 notice issued in November 2004.

This draft is being circulated on an informal basis to:

- allow DISG members to provide further comments on an informal basis in advance of the formal consultation; and
- keep DISG members informed of the proposed structure of the licence as it evolves.

Whilst every effort has been made to take account of views expressed by DISG members to date, both formally and through informal DISG discussions, further changes to the enclosed drafting may take place as a result of further consideration of respondents' views.

Further, we have endeavoured to highlight the areas where the drafting has changed relative to that which was proposed within the Next Steps consultation, however, this is not full revision marking, and has been included to be helpful as no revision marking or highlighting of any sort will be included within the Formal Section 8AA consultation. Ofgem cannot guarantee the accuracy of such highlighting.

Should DISG members feel that comments already made have not been adequately addressed, or indeed have new comments not previously made (with respect to either high-level policy or detailed licence drafting), Ofgem would welcome such comments as soon as possible, and no later than 5.00pm on Thursday 3 February 2005. Comments to Suzanne.turner@ofgem.gov.uk (0207 9017338).

THE STANDARD SPECIAL AND SPECIAL CONDITIONS

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**STANDARD SPECIAL CONDITIONS APPLICABLE TO BOTH NTS AND DN
LICENSEES: PART A**

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Standard Special Condition A1. Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees.

1. With the exception of,

- (i) paragraphs 1 to 4 inclusive of this condition;
- (ii) any new condition introduced into this Part A: Standard Special Conditions applicable to both NTS and DN licensees proposed by the Authority under Standard Special Condition A2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees) following the introduction of this condition; and
- (iii) any new condition introduced into this Part A: Standard Special Conditions applicable to both NTS and DN licensees proposed by the Authority following the introduction of this condition by way of a direction under the Act,

until the Authority has issued a direction to the licensee pursuant to paragraph 2 of this condition, the Standard Special Conditions applicable to both NTS and DN licensees, shall not have effect in this licence; and the licensee

- (a) shall not be obliged to comply with any of the requirements of the Standard Special Conditions applicable to both NTS and DN licensees contained in this licence; and
- (b) shall be obliged to comply with the requirements of the standard conditions contained in Sections A (Interpretation, Application and Payments) and B (General) of this licence.

2. (a) Subject to paragraph 4 of this condition, the Authority may, with the consent of the licensee and subject to paragraph 3 of this condition, issue a direction (a “Standard Special Conditions Part A direction”).
- (b) A direction issued by the Authority under paragraph 2(a) above may specify which:-
- (i) Standard Special Conditions applicable to both NTS and DN licensees are to have effect in this licence, either in whole or in part;
 - (ii) Standard Special Conditions applicable to both NTS and DN licensees are not to have effect in this licence, either in whole or in part;
 - (iii) standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) shall not have effect in this licence, either in whole or in part; and/or
 - (iv) standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) shall have effect in this licence, either in whole or in part
- from the date specified in the direction.

3. For the avoidance of doubt, the power to make a direction under paragraph 2 of this condition permits the Authority to apply or disapply, in whole or in part (as the case may be):-

- (a) this Part A: Standard Special Conditions applicable to both NTS and DN licensees as a whole with the exception of paragraphs 1 to 4 inclusive of this condition;
- (b) any individual condition or conditions in this Part A: Standard Special Conditions applicable to both NTS and DN licensees with the exception of paragraphs 1 to 4 inclusive of this condition;

- (c) a designated Section of standard conditions in Section A (Interpretation, Application and Payments) and/or Section B (General) as a whole; and/or
 - (d) any individual standard condition or conditions in Section A (Interpretation, Application and Payments) and/or Section B (General).
- 4. For the avoidance of doubt, notwithstanding references in this condition to the consent of the licensee being required to issue or vary a Standard Special Conditions Part A direction, where a Standard Special Condition is (i) modified, or (ii) a new Standard Special Condition is introduced in accordance with Standard Special Condition A2 (Private Collective Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees) the consent of a licensee to introduce such condition or variation shall not be required where the criteria for introduction or modification set out in Standard Special Condition A2 (Private Collective Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees) have been met and the Authority shall be able to introduce such a condition or modification without consent of the licensee and issue any consequential variation to the licence as required.
- 5. Where the Authority has issued a Standard Special Conditions Part A direction to the licensee in accordance with paragraph 2,
 - (a) the conditions in this Part A: Standard Special Conditions applicable to both NTS and DN licensees (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 the Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction;
 - (b) the conditions in this Part A: Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the

licensee shall not be obliged to comply with the requirements of the Standard Special Conditions applicable to both NTS and DN licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction;

- (c) the standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of the standard conditions (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction; and/or
- (d) the standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) (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 the standard conditions (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

6. Subject to paragraph 4 of this condition, the Authority may, with the consent of the licensee, issue a further Standard Special Conditions Part A direction in accordance with paragraph 2 to:

- (a) vary the terms (as set out in the Standard Special Conditions Part A direction or elsewhere) under which the Standard Special Conditions applicable to both NTS and DN licensees (or parts thereof) and/or the standard conditions set out in Section A (Interpretation, Application and Payments) and/or Section B (General) (or parts thereof) have effect or cease to have effect in this licence; or
- (b) provide for the Standard Special Conditions applicable to both NTS and DN licensees (or parts thereof) to cease to have effect or to have effect in this licence and/or the standard conditions set out in Section A (Interpretation,

Application and Payments) and/or Section B (General) (or parts thereof) to have effect or 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 under that paragraph of this condition.
8. With effect from the date contained in the notice issued under paragraph 7 of this condition, paragraphs 5 to 7 of this condition shall, to the extent appropriate, 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 Special Condition A2. Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees

1. For the purposes of this condition, the following words shall have the meaning set out below:

“modifications”

includes additions, alterations, and omissions and cognate expressions shall be construed accordingly;

“private collective licence modification procedure”

means the procedure set out in this condition and the corresponding provisions of other relevant gas transporter licences for modifying collectively only the Standard Special Conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees which are effective in this licence and other relevant gas transporter licences (pursuant to a Standard Special Conditions Part A direction under Standard Special Condition A1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees));

“relevant gas transporter licence”

means in relation to this condition only a licence granted under section 7 of the Act which contains Standard Special

“relevant licence holder”

Conditions applicable to both NTS and DN licensees;

in relation to proposed modifications under this condition means the holder of a relevant gas transporter licence which:

- a) is to be modified under the proposals by the inclusion of any new condition in **Part A: Standard Special Conditions** applicable to both NTS and DN licensees only pursuant to the private collective licence modification procedure; or
- b) includes any condition in **Part A: Standard Special Conditions** applicable to both NTS and DN licensees only to which the proposals relate, other than conditions in **Part A: Standard Special Conditions** applicable to both NTS and DN licensees which are not in effect (by virtue of any direction issued pursuant to Standard Special Condition A1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees) at the time specified in the relevant notice under paragraph

4(a) of this condition,

and for the avoidance of doubt, the holder of a relevant gas transporter licence the conditions of which are not to be modified or into which new conditions are not to be inserted pursuant to the private collective licence modification procedure under the proposals contained in a particular relevant notice shall not, for the purposes of such modifications to existing conditions or new conditions contained in that relevant notice, be a relevant licence holder;

“relevant notice”

means a notice given by the Authority pursuant to paragraph 4(a) of this condition which contains the Authority’s proposals for the modification of conditions contained in, or inclusion of new conditions into Part A: Standard Special Conditions applicable to both NTS and DN licensees which either are, or are to be, effective in relevant gas transporter licences only;

“relevant time”

means 06.00 hours on the day which is thirty (30) days prior to the day on which the Authority gives relevant notice;

“statutory CLM procedure”

means the collective licence modification procedure set out in section 23 of the Act for standard conditions of licences under section 7 of the Act;

“weighted according to market share”

Means, in the case of relevant licence

holders who have given notice of objection, multiplied by a factor which is equal to the total quantity of gas conveyed to the premises of consumers by those relevant licence holders during the twelve month period ending at the relevant time divided by the total quantity of gas conveyed to the premises of consumers during the twelve month period ending at the relevant time by **all** relevant licence holders, as calculated by the Authority on the basis of information available to it.

2. The purpose of this condition is to set out (pursuant to section 7B(7)(b) of the Act) a procedure under which Standard Special Conditions **in Part A: Standard Special Conditions** applicable to both NTS and DN licensees **effective in** this licence and other relevant gas transporter licences only may be collectively modified **or new conditions inserted into such Part A.**
3. Without prejudice to any other method of modification set out in the Act, Standard Special Conditions **in Part A: Standard Special Conditions** applicable to both NTS and DN licensees **effective in** this licence and other relevant gas transporter licences) may be modified **or new conditions inserted into such Part A** pursuant to **the** private collective licence modification procedure.
4. Standard Special Conditions **in Part A: Standard Special Conditions** applicable to both NTS and DN licensees **effective in** this licence and other relevant gas transporter licences may be modified **or new conditions inserted into such Part A** in the following manner:
 - (a) before making modifications under this condition, the Authority shall give notice (a “relevant notice”):
 - (i) stating that it proposes to make the modifications and setting out their effect;
 - (ii) stating the reasons why it proposes to make the modifications; and

- (iii) specifying the time (not being less than 28 days from the date of publication of the relevant notice) within which representations **concerning** or objections to the proposed modifications may be made, and the **Authority** shall consider any representations or objections which are duly made and not withdrawn.
- (b) A relevant notice under paragraph 4(a) above shall be given:
- (i) by publishing the relevant notice in such manner as the Authority considers appropriate for the purpose of bringing the relevant notice to the attention of persons likely to be affected by the making of the modifications; and
 - (ii) by sending a copy of the relevant notice to the relevant licence holders, to the Secretary of State, to the Health and Safety Executive and to the Consumer Council.
- (c) If, within the time specified in the relevant notice under paragraph 4(a) above, the Secretary of State directs the Authority not to make any modification, the Authority shall comply with the direction.
- (d) The Authority may not make any modifications to any Standard Special Conditions **in Part A: Standard Special Conditions** applicable to both NTS and DN licensees **effective in this licence or insert any new conditions in this Part A or any corresponding Part A** of any other relevant gas transporter licence pursuant to this condition **or any corresponding condition effective in such other relevant gas transporter licence**, unless:
- (i) no notice of objection to those modifications set out in the relevant notice is given to the Authority within the time specified in the relevant notice under paragraph 4(a) above by any relevant licence holder;
 - (ii) if one or more relevant licence holders **gives** notice of objection to the Authority within that time:
 - (aa) the proportion (expressed as a percentage) of the relevant licence holders who have given notice of objection is less than twenty (20) per cent of all relevant licence holders; and

- (bb) the proportion (expressed as a percentage) of the relevant licence holders who have given notice of objection, weighted according to their market share, is less than twenty (20) per cent;

or

- (iii) the Authority is of the opinion:

- (aa) that the effect of the Standard Special Conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees effective in relevant gas transporter licences only is such as to impose a burden affecting relevant licence holders in the carrying on of activities to which the modifications relate; and
- (bb) that the modifications would remove or reduce the burden without removing any necessary protection.

- 5. Where at any time the Authority modifies under this condition the Standard Special Conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees effective in this licence or inserts new conditions into such Part A of this licence and makes equivalent changes to the corresponding Part A of other relevant gas transporter licences) only, it:

- (a) shall also include the same conditions as so modified in relevant gas transporter licences granted after that modification; and
- (b) may make such incidental or consequential modifications as it considers necessary or expedient of any conditions of relevant gas transporter licences granted before that time.

- 6. Where at any time the Authority modifies conditions under paragraph 5 of this condition for the purposes of their incorporation in relevant gas transporter licences granted after that time, it shall publish the modifications in such manner as it considers appropriate.

- 7. This condition is intended largely to replicate, in relation to the Standard Special Conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees effective in this licence and other relevant gas transporter licences only, the

statutory CLM procedure. Where there is any ambiguity in the application or effect of this condition, the Authority may, except where the contrary intention appears, follow any approach taken in relation to the statutory CLM procedure. Unless the contrary intention appears, any guidance issued by the Authority in relation to the statutory CLM procedure shall apply (with the necessary changes having been made) equally to modifications made pursuant to this condition. The Authority may issue guidance on the procedures that the Authority will follow in proposing and making collective licence modifications pursuant to the private collective licence modification procedure.

Standard Special Condition A3. Definitions and Interpretation

1. Unless the context otherwise requires, words and expressions used in Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) of this licence to the extent that they apply to the licensee shall bear the same meaning as stated in this condition.
2. In Part A: Standard Special Conditions applicable to both NTS and DN licensees, unless the context otherwise requires -

“the Act”	means the Gas Act 1986;
“affiliate”	in relation to any person, means any holding company of such person, any subsidiary of such person or any subsidiary of a holding company of such person, in each case within the meaning of sections 736, 736A and 736B of the Companies Act 1985;
“amount”	in relation to gas, means the energy content thereof expressed in kilowatt hours;
“ appropriate auditors”	means:- (a) in the case of a licensee which is a company within the meaning of section 735 of the Companies Act 1985, a person appointed as auditor under Chapter V of Part XI of that Act; (b) in the case of any other licensee which is required by the law of

	a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter V of Part XI of that Act, a person so appointed; and (c) in any other case, a person who is eligible for appointment as a company auditor under sections 25 and 26 of the Companies Act 1989;
“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 to which this licence relates and in relation to each day, means the taking of such measures affecting the relationship between deliveries of gas to and off-takes 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;
“capacity rights”	means rights allocated in accordance with the network code to input up to a given volume of gas to the pipe-line system to

	which this licence relates or off-take up to a given volume of gas from the pipe-line system to which this licence relates;
“charging methodology”	for the purposes of Standard Special Condition A5 (Obligations as Regard Charging Methodology) only, has the meaning given in that condition
“compliance officer”	for the purposes of Standard Special Condition A34 (Appointment of Compliance Officer) only, has the meaning given in that condition;
“constraint management”	means the management of capacity rights;
“constraint management services”	means services in relation to the management of capacity rights;
“Consumer Council”	means the Gas and Electricity Consumer Council established under section 2 of the Utilities Act 2000;
“the court”	means, in relation to England and Wales, the High Court and, in relation to Scotland, the Court of Session;
“cross-default obligation”	for the purposes of Standard Special Condition A39 (Indebtedness) 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 Standard Special Condition A30 (Regulatory Accounts) and Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing) only, has the meaning given in that condition;
“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;
“designated registrar of pipes”	means the person designated by the Authority to fulfil that role pursuant to Standard Special Condition A49 (Designated Registrar of Pipes);
“disposal”	for the purposes of Standard Special Condition A27 (Disposal of Assets) only, has the meaning given in that condition;
“DN operator”	means a licence-holder who is obliged to comply with one or more conditions in Part D: Standard Special Conditions applicable to all DN licensees (in whole or in part) as a result of any direction issued pursuant to

	Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees);
“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 premises at which a supply is taken wholly or mainly for domestic purposes;
“financial year”	means, subject to Standard Special Condition A29 (Change of Financial Year) (where applicable), a period of 12 months beginning on 1 st April of each year and ending on 31 st March of the following calendar year;
“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 a facility which is connected (directly or indirectly) to the pipeline system to which this licence

	relates and cognate expressions shall be construed accordingly;
“gas shipper”	shall have the meaning given to it in section 7A(11) of the Act;
“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 Special Condition A39 (Indebtedness) only, has the meaning given in that condition;
“independent system”	means a pipe-line system in Great Britain to which this licence relates which includes relevant mains and which is not connected (directly or indirectly) by pipes to the main pipe-line system of a relevant gas transporter;
“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 Special Condition A26 (Provision

	of Information to the Authority) only, has the meaning given in that condition;
“investment”	for the purposes of Standard Special Conditions A36 (Restriction on Activity and Financial Ring-Fencing) and A39 (Indebtedness) only, has the meaning given in Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing);
“investment grade issuer credit rating”	for the purposes of Standard Special Conditions A38 (Credit Rating of the Licensee) and A39 (Indebtedness) only, has the meaning given in Standard Special Condition A38 (Credit Rating of the Licensee);
“issuer credit rating”	for the purposes of Standard Special Condition A38 (Credit rating of the licensee) and Standard Special Condition A39 (Indebtedness) only, has the meaning given in Standard Special Condition A38 (Credit rating of the licensee);
“licensee”	means the holder of this licence in its capacity as:- (a) NTS operator; or (b) DN operator and, for the avoidance of doubt,

	nothing in this definition shall prevent a single legal entity being both an NTS operator and a DN operator. However, this definition is subject to the alternative definitions stated in Standard Special Condition A38 (Credit Rating of the Licensee) and Standard Special Condition A39 (Indebtedness) to the extent that the provisions are effective in this licence;
"main administration service"	for the purposes of Standard Special Condition A49 (Designated Registrar of Pipes) only, has the meaning given in that condition;
"metering business"	means the activities of the licensee in connection with the provision of metering services;
"metering equipment"	means the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of Transco plc's Network Code as at 1 April 1997 as defined within Amended Standard Condition 9 (Network Code) of Transco plc's gas transporter licence on that date;
"metering services"	means the provision, installation, commissioning, inspection, repairing, alteration, repositioning,

	removal, renewal and maintenance of metering equipment;
"meter reading business"	means the activities of the licensee in connection with the provision of meter reading services;
"meter reading services"	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 the purpose of securing the efficient and economical physical operation of the pipe-line system to which this licence relates;
"network code"	means the document prepared for or on behalf of the licensee pursuant to paragraph 3 of Standard Special Condition A11 (Network Code and Uniform Network Code), subject to paragraph [9] of that condition (as that document is modified from time to time pursuant to that condition);
"network code modification procedures"	for the purposes of Standard Special Condition A11 (Network Code and Uniform Network Code) and Standard Special Condition A12 (Joint Office Governance Arrangements), has the meaning given in Standard Special

	Condition A11 (Network Code and Uniform Network Code);
“network emergency co-ordinator”	for the purposes of Standard Special Condition A8 (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;
“NTS”	means the national transmission system as defined in the network code;
“NTS exit capacity”	shall have the meaning given to that term in the network code;
“NTS exit flow flexibility”	shall have the meaning given to that term in the network code;
“NTS operator”	means a licence-holder who is obliged to comply with one or more conditions in Part B: Standard Special Conditions applicable to all NTS licensees (in whole or in part) as a result of any direction issued pursuant to Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees;
“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 Standard Special Conditions A36 (Restriction on Activity and Financial Ring-Fencing) and A39 (Indebtedness) only, has the meaning given in Standard Special Condition A32 (Definition of permitted purpose);
“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 Special Condition A30 (Regulatory Accounts) only, has the meaning given in that condition;
“related undertaking”	in relation to any person, means any undertaking (within the meaning of section 259 of the Companies Act 1985) in which such person has a participating interest;
“relevant customer”	for the purposes of Standard Special Condition A8 (Emergency Services and Enquiry Service Obligations) only, has the meaning given in that condition;
“relevant gas transporter”	means the licensee and any other gas transporter who is a DN operator and/or NTS operator;
“relevant methodology objective”	for the purposes of Standard Special

	Condition A5 (Obligations as Regards Charging Methodology) only, has the meaning given in that condition;
“relevant objectives”	for the purposes of Standard Special Condition A11 (Network Code and Uniform Network Code) 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 to which this licence relates at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises subject, however, to the alternative definitions stated in the following conditions (to the extent that the provisions are effective in this licence), Standard Special Condition A11 (Network Code and Uniform Network Code) and Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business);
“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 subject, however, to the alternative definition stated in Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business);
“relevant year”	for the purposes of Standard Special Condition A48 (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 of 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;
“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;
“specified amount”	for the purposes of Standard Special Condition A48 (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);
“subsidiary”	means a subsidiary within the meaning of sections 736, 736A and 736B of the Companies Act 1985;
“supply of transportation services”	means the undertaking and performance for gain or reward of engagements – (a) 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; and (c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of: (i) the balancing of the

	transportation through the acquisition or disposal of gas to replace gas lost from the transportation system; and (ii) facilitating constraint management; not being the provision of metering services or the provision of meter reading services, subject, however, to paragraph 11 of Standard Special Condition A5 (Obligations as Regard Charging Methodology), and Special Condition C1A (NTS definition of supply of transportation services and balancing management), to the extent that these provisions are effective in this licence.
“supply point information service”	for the purposes of Standard Special Condition A31 (Supply Point Information Service) only, has the meaning given in that condition;
“trading business”	for the purposes of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) only, has the meaning given in that condition;
“Transco plc”	means the company (registered in England and Wales under company registration number 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 3 of this condition) whereby gas shippers and relevant gas transporters (insofar as their licences permit) may, from time to time and in different cases and circumstances, have gas introduced into, conveyed by means of and taken out of the pipe-line system to which this licence relates 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, but excepting arrangements relating to services supplied pursuant to Standard Special Condition A43 (Provision of Metering and Meter Reading Services),

	subject, however, to the alternative definitions stated in the following conditions (to the extent that the provisions are effective in this licence): paragraphs 9 and 11 of Standard Special Condition A4 (Charging – General), paragraph 11 of Standard Special Condition A5 (Obligations as Regard Charging Methodology), paragraphs 2 and 4 of Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in conformity with the Uniform Network Code and the Network Code), paragraphs 18 and 21 of Standard Special Condition A11 (Network Code and Uniform Network Code), paragraph 6 of Condition C2 (Long Term Development Statement) and paragraph 6 of Special Condition D3 (Long Term Development Statement);
“transportation asset”	for the purposes of Standard Special Condition A27 (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 the transportation system and with the supply of transportation services but excluding the metering business and the meter reading business subject, however, to the alternative

	definitions stated in the following conditions (to the extent that the provisions are effective in this licence) paragraph 11 of Standard Special Condition A5 (Obligations as Regard Charging Methodology), paragraph 2 of Standard Special Condition A6 (Conduct of Transportation Business), paragraph 9 of Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A35 (Prohibition of Cross Subsidies) and Special Condition C9 (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity);
“transportation system”	means the facilities to which this licence relates which are used by the licensee for the conveyance of gas within Great Britain.
“ultimate controller”	means:- (a) a holding company of the licensee which is not itself the subsidiary of another company; (b) any person who (whether alone or with a person or persons connected with him) is in a 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.
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“uniform network code”	means the document prepared by the licensee together with other relevant gas transporters pursuant to Standard Special Condition A11 (Network Code and Uniform Network Code) (as from time to time modified pursuant to that condition);
“working day”	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

3. In the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee) 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 to which this licence relates 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 4 include a person who is supplied with gas at secondary sub-deduct premises.
4. 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 Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee).
5. Except where the context otherwise requires, any reference to a numbered Standard Special Condition (with or without a letter), Special Condition applicable to the licensee (with or without a letter) or Schedule is a reference to the Standard Special Condition (with or without a letter), Special Condition applicable to the licensee (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 Special Condition, Special Condition applicable to the licensee or Schedule in which the reference occurs, and any reference to a numbered part is a reference to the part bearing that number in this licence.
6. The conditions in this Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee) 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.
7. Except where the context otherwise requires, a reference in a Standard Special Condition or Special Condition applicable to the licensee 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.

8. Any reference in the conditions contained in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee) to -

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

9. In construing the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee), the heading or title of any Standard Special Condition, Special Condition applicable to the licensee or paragraph shall be disregarded.

10. Any reference in a Standard Special Condition or Special Condition applicable to the licensee 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.

11. Anything required by or under the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee

(NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee) 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 Standard Special Conditions or Special Conditions applicable to the licensee which are incorporated in all gas transporter licences. Where -

- (a) any definition is not used in the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee), a definition shall, for the purposes of this licence, be treated -
 - (i) as part of the Standard Special Condition or Special Condition applicable to the licensee in which it is used; and
 - (ii) as not having effect in the licence until in relation to Standard Special Conditions, such time as the Standard Special Condition in which the definition is used has effect within the licence as a result of any direction issued pursuant to Standard Special Condition A1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General)

and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees), Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees) or Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees) or, in relation to Special Conditions when such condition has been inserted into the licence with the consent of the licensee;

- (b) any definition which is used in the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same apply to the licensee) is also used in one or more other Parts -
 - (i) that definition shall only be modifiable in accordance with the modification process applicable to each of the Standard Special Conditions or Special Conditions applicable to the licensee in which it is used; and
 - (ii) if any such Standard Special Condition or Special Condition applicable to the licensee is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.

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

- (a) the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions

applicable to NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) to (the extent that the same apply to the licensee) shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the said **Interpretation** Act of 1978, and

- (b) words or expressions used in the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) to the extent that the same apply to the licensee which are also used in Part I of the Act or in the standard conditions of gas transporters licences shall, unless the contrary intention appears, have the same meaning when used in these conditions.

14. 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.

15. For the avoidance of doubt, if, pursuant to a direction issued pursuant to Standard Special Condition A1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees), Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees) or Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable

to DN licensees), any standard conditions cease to have effect, any references to such standard conditions in any condition in this licence (including for the avoidance of doubt any other standard condition) shall be construed, so far as the context permits, as a reference to the corresponding provision of the Standard Special Conditions or Special Conditions applicable to the licensee which have been made effective pursuant to such direction.

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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

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,

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**

10. NOT USED

11. In this condition

“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, **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 -
 - (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:

“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; and
“supply of transportation services”	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.
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Standard Special Condition A6. 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 (including, for the avoidance of doubt, any other relevant gas transporter for which the holder of this licence also holds a licence in the same legal entity);
- (b) any gas shipper or gas supplier; nor
- (c) any DN operator (who has entered into transportation arrangements with other relevant gas transporters)

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” shall have the meaning given in Standard Special Condition A3 (Definition and Interpretation) save that it shall also include –

- (a) the provision of metering services and meter reading services; and
- (b) if the licensee has been designated as the designated registrar of pipes pursuant to Standard Special Condition A49 (Designated Registrar of Pipes), the functions of the designated registrar of pipes.

3. **NOT USED**

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 from the definition of “transportation business” contained in paragraph 2 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 Special Condition A7. Requirement to Enter into Transportation Arrangements in Conformity with the Uniform Network Code and the 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. **NOT USED**
3. **NOT USED**
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 Special Condition A3 (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 pipe-line system to which this licence relates; or
 - (ii) any market relating to the pipe-line system to which this licence relates.

Standard Special Condition A8. 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 -
 - (ii) 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
 - (iii) 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.

10. **NOT USED**

11. **NOT USED**

9. 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.

10. 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.

11. Paragraph 15 shall apply in relation to relevant customers (defined in paragraph 21) and the premises of relevant customers.

12. The licensee shall ensure, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety, that where 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, -

(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.

13. 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.
14. 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.
15. 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.
- 16. 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 14 (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.

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Standard Special Condition A9. 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 pipeline system to which this licence relates (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, including, but not limited to, aggregate peak hourly 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.

Standard Special Condition A10. 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 **relevant** supplier) to provide through a **meter asset manager** and install at the premises of a domestic customer a gas meter owned by it 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 (“**the relevant enterprise**”); or
- (b) an undertaking approved by the Authority as having staff possessing the relevant expertise

and for the purposes of this definition,

- (ii) “**approved by the Authority**” means approved by it for the purposes of this condition generally and “**staff**” includes officers, servants and agents; and
- (iii) “**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 **12 July 2004, as defined within Amended Standard Condition 9 (Network Code) of Transco plc’s gas transporter licence on that date.**

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 relevant 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.

Standard Special Condition A11. Network Code and Uniform Network Code

Transportation Arrangements

1. The licensee shall establish transportation arrangements, pursuant to paragraphs 3 and 6 of this condition in respect of matters other than those to which Standard Special Conditions A4 (Charging – General) and A5 (Obligations as Regards Charging Methodology) relate, which are calculated, consistent 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 of the pipe-line system to which this licence relates;
 - (b) so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;
 - (c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;
 - (d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:
 - a. between relevant shippers;
 - b. between relevant suppliers; and/or
 - c. between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.
 - (e) so far as is consistent with sub-paragraphs (a) to (d), 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; and

- (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the **network code** and/or the uniform network code;

hereinafter referred to as the “relevant objectives”.

- 2. In relation to a proposed modification of the network code modification procedures, a reference to the relevant objectives is a reference to the requirements in paragraphs **9 and 12 of this condition** (to the extent that those requirements do not conflict with the objectives set out in paragraph 1).

Network Code

- 3. **Subject to paragraph 4, in respect of the pipe-line system to which this licence relates, the licensee shall, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (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):**
 - (a) 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 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) the network code modification procedures established, **where they differ to those within the uniform network code following Authority consent** pursuant to paragraph **8**

and the licensee shall furnish the Authority with a copy thereof.

4. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, it may apply to the Authority for written consent to prepare a single network code in respect of all of its pipe-line systems, which consent may be granted subject to such conditions as the Authority may direct.
5. The network code prepared for or on behalf of the licensee shall incorporate by reference the terms of the uniform network code except where the Authority consents otherwise in writing; and references in the conditions of this licence to the network code include the uniform network code (as may be varied from time to time) as so incorporated, unless otherwise stated.

Uniform Network Code

6. The licensee shall, together with the other relevant gas transporters, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (the uniform network code) setting out:
 - (a) the terms of transportation arrangements established by the licensee and other relevant gas transporters, to the extent that such terms are common, or are not in conflict, between relevant gas transporters; and
 - (b) the network code modification procedures established pursuant to paragraph 7, which are, subject to paragraph 8, incorporated by reference into each network code prepared by or on behalf of each relevant gas transporterand the licensee shall furnish the Authority with a copy thereof.

Network Code Modification Procedures

7. The licensee shall, together with the other relevant gas transporters, establish and operate procedures (network code modification procedures), for the modification of the uniform network code and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code

modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives

8. In accordance with paragraph 5, unless the Authority consents otherwise in writing, the network code modification procedures shall be contained in the uniform network code.
9. The network code modification procedures shall provide for:
 - (a) a mechanism by which any of (i) each of the network codes prepared by or on behalf of each relevant gas transporter, and (ii) the uniform network code may be modified and/or reviewed);
 - (b)
 - (i) the making of proposals for the modification of the uniform network code in accordance with paragraph 10 (a) of this condition; and/or
 - (ii) the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 11(a) of this condition;
 - (c) the making of alternative modification proposals in accordance with paragraphs 10(b) and 11(b) of this condition, except in a case where the Authority otherwise directs in writing;
 - (d) the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters, all relevant shippers and sending a copy of the proposal to any person who asks for one;
 - (e) the seeking of the views of the Authority on any matter connected with any such proposal;
 - (f) the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented; and

- (g) where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter 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.

10. In respect of the uniform network code:

- (a) a modification proposal may be made by any of the following:

- (i) the licensee,
- (ii) each other relevant gas transporter,
- (iii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification, and/or
- (iv) any other relevant person (a **third party participant**) identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification.

- (b) where a modification proposal has been made under paragraph 10(a) of this condition (an **"original proposal"**) alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 10(a) of this condition with the exception of the person who made the original proposal.

11. In respect of each network code prepared by or on behalf of a relevant gas transporter (excluding the terms of the uniform network code incorporated within it):

- (a) a modification proposal may be made by one of the following:

- (i) the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates,
- (ii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;

- (iii) a DN operator with whom the licensee has entered into transportation arrangements in respect of the pipe-line system to which this licence relates; and/or
 - (iv) any other relevant person (a **third party participant**) identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification.
 - (b) where a modification proposal has been made under paragraph 11(a) of this condition (an **“original proposal”**) alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 11(a) of this condition with the exception of the person who made the original proposal.
12. Subject to paragraphs 9, 10 and 11 of this condition, the network code modification procedures may include provisions which differ as between proposed modifications to the uniform network code and proposed modifications to each network code prepared by or on behalf of each relevant gas transporter (excluding the terms of the uniform network code incorporated within it).

Modification of Network Code and Uniform Network Code

13. The licensee shall not make any modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) or make or permit any modification to the uniform network code except:
- (a) to comply with paragraph 15(b) or 16 ; or
 - (b) with the written consent of the Authority;
- and shall furnish or cause to be furnished to the Authority a copy of any such modification made.
14. Where:
- (a) 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 the pipeline system to which this licence relates, and

- (b) a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code could, consistent with the relevant objectives, appropriately deal with the matter

the licensee shall propose such a modification in accordance with the network code modification procedures, and any requirement that a modification be such as to better facilitate the achievement of the relevant objectives shall be treated as met if the modification is consistent with those objectives.

15. Where a proposal is made in accordance with the network code modification procedures to modify the network code prepared by or on behalf of the licensee, (excluding the terms of the uniform network code incorporated within it) or the uniform 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 an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;
- i. giving particulars of any representations by:
 - (aa) the licensee,
 - (bb) any other relevant gas transporter,
 - (cc) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification,
 - (dd) in respect of modifications to a network code (excluding the terms of the uniform network code incorporated within it) only, a DN operator with whom the licensee has entered

into transportation arrangements in respect of the pipe-line system to which this licence relates, or

- (ee) any other person with respect to those proposals;
 - (iv) including a recommendation (on the part of such person or body as may be provided for in the network code modification procedures) as to whether any proposed modification should or should not be made, and the factors which (in the opinion of such person or body) justify the making or not making of a proposed modification; and
 - (v) giving such further information as may be required to be given to the Authority by the network code modification procedures;
- (b) comply with any direction of the Authority to make a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under paragraph 15(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, as required by paragraph 7, the achievement of the relevant objectives.
16. 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 prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform 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 Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with Network Code).
17. The licensee shall:

- (a) prepare and publish a summary of (i) the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and (ii) the uniform network code as modified or changed from time to time in such form and manner as the Authority may from time to time direct; and
- (b) make available a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and the uniform network code as modified from time to time to any person who asks for one and makes such payment to (or to a person nominated by) 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.

Determinations by the Authority

- 18. Where a provision of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code requires that, in circumstances specified in the provision, a determination by the licensee pursuant to that provision in a particular case should be such as is calculated to facilitate the achievement of the relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.
- 19. The network code modification procedures shall provide that any question arising under the network code modification procedures as to:
 - (a) whether a gas shipper or other person is likely to be materially affected by a proposal to modify the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform 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.

Miscellaneous

20. **NOT USED**

21. **NOT USED**

22. If and in so far as the Authority so consents, this condition shall have effect as if the definition of “transportation arrangements” in **Standard Special Condition A3 (Definitions and Interpretation)** referred only to gas consisting wholly or mainly of methane.

23. Any reference to “relevant shipper” in any of paragraphs 9(d), 9(f), 10(a)(iii), 11(a)(ii), or 15(a)(iii)(cc) shall, where it relates to any proposed modification which could have been proposed by a third party participant under the network code modification procedures, be treated as if it were also a reference to all such third party participants.

24. (a) In this condition:

“combined pipe-line system” means the pipe-line system **to which this licence relates** and the pipe-line system of each other relevant gas transporter taken as a whole;

“network code modification procedures” means the modification procedures referred to in paragraph 6 of this condition;

(b) Where the context requires,

(i) references to a **n**etwork **c**ode shall include the equivalent document prepared by each other relevant gas transporter (as from time to time modified) pursuant to the condition in its licence corresponding to this condition; and

(ii) references to transportation arrangements shall include the corresponding arrangements made by each other relevant gas transporter.

- (c) For the purposes of this condition, relevant shipper shall have the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation) and references to a relevant shipper include any gas shipper which is a relevant shipper for the purposes of the licence of any relevant gas transporter.

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Standard Special Condition A12. Joint Office Governance Arrangements.

1. The licensee shall:

- (a) together with the other relevant gas transporters, establish, operate and develop arrangements (joint governance arrangements) for:
 - (i) the administration of the network code modification procedures;
 - (ii) giving effect to the provisions of Standard Special Condition A4 (Charging – General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology) relating to the administering of the coordination of the modification of the licensee’s and the other relevant gas transporters’ respective charges or reserve prices or charging methodologies (as the case may be);
 - (iii) the administration of such matters as are provided for in the uniform network code to be implemented by the relevant gas transporters on a common, joint or coordinated basis, consistent with the provisions of Standard Special Condition A15 (Agency);
 - (iv) so far as is consistent with sub-paragraphs (i) to (iii), the promotion of efficiency in the implementation and administration of the network code and/or uniform network code; and
 - (v) such other matters as they may decide;
- (b) by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have entered into an agreement (JGA agreement) with the other relevant gas transporters, providing for the establishment and operation of the joint governance arrangements;
- (c) provide or cause to be provided to the Authority a copy of the JGA agreement and each amendment thereof; and

- (d) publish, or cause to be published, a copy of the JGA agreement as modified from time to time, with the exception of information agreed as being confidential by the Authority.
2. The joint governance arrangements shall, without limitation, be such as are calculated, consistent with the efficient discharge of each relevant gas transporter's obligations under the Act and its respective licence:
- (a) to ensure compliance with the network code modification procedures;
 - (b) so far as consistent with sub-paragraph (a), to promote efficiency in the administration of the network code modification procedures and the other matters subject to the JGA agreement; and
 - (c) to avoid undue discrimination or preference as between the relevant gas transporters.
3. The licensee shall submit, or cause to be submitted, any proposed amendment to the JGA agreement to the Authority and shall not make or permit any amendment to the JGA agreement until the expiry of 90 days from the date on which the Authority receives the proposed amendment unless prior to such date the Authority either:
- (a) consents to the licensee making or permitting the amendment on an earlier date, or
 - (b) directs the licensee in writing not to make or permit the amendment.
4. (1) In relation condition A11 (Network Code and Uniform Network Code) of this licence, the licensee shall comply directly or shall procure compliance via the joint governance arrangements, with the requirements in:
- (a) paragraph 6 of A11 (Network Code and Uniform Network Code) to furnish to the Authority a copy of the uniform network code,
 - (b) paragraph 13 of A11 (Network Code and Uniform Network Code) to furnish to the Authority a copy of any modification made,

- (c) paragraph 14 of A11 (Network Code and Uniform Network Code) to propose a modification,
 - (d) paragraph 15(a) of A11 (Network Code and Uniform Network Code) to give notice to the Authority
 - (e) paragraph 15(b) of A11 (Network Code and Uniform Network Code) to comply with a direction to make a modification
 - (f) paragraph 16 of A11 (Network Code and Uniform Network Code) to make a modification; and
 - (g) paragraph 17 of A11 (Network Code and Uniform Network Code) to prepare and publish a summary, and to send a copy.
- (2) Where a licensee has, directly or indirectly via the joint governance arrangements, provided the information or taken the action specified in subparagraphs 4(1) (a) to (g) inclusive, it shall have, without prejudice to any other obligations it may have, been deemed to have complied with the requirement to have provided the information or to have taken the action specified.

Standard Special Condition A13. Not Used

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Standard Special Condition A14. Availability of Data Formats

1. Where the licensee uses standard file formats for transferring data, for any purposes set out in the network code, between any persons identified in such network code as appropriate persons for the receipt of the data, it shall:
 - (a) 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; and
 - (b) comply with its obligations under the network code and the AS agreement (as defined in Standard Special Condition A15 (Agency)) in this regard.

Standard Special Condition A15. Agency

1. The licensee shall, together with the other relevant gas transporters, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have entered into an agency services agreement (“**AS agreement**”) with the other relevant gas transporters providing for the common provision of services and systems, including the common provision by the agency of such services and systems, the scope of which are set out within the uniform network code.
2. The licensee shall, together with the other relevant gas transporters procure, or cause to be procured:
 - (a) that the Authority is provided with a copy of AS agreement and each amendment thereof; and
 - (b) the publication of the AS agreement as modified from time to time, with the exception of an information agreed as being confidential by the Authority.
3. Where services and systems are sub-contracted to a common service provider (the “agency”) by all relevant gas transporters including, without limitation, the licensee, the scope of such sub-contracting arrangements shall be set out in the uniform network code, and the agency and the agreement referenced in paragraph 1 shall, without limitation, be based on the following principles:
 - (i) such services and systems shall be established, operated and developed on an economical and efficient basis;
 - (ii) the costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being within the scope of the agency, are separately assessed and reported; and

- (iii) the costs of the agency shall be allocated between the users of the agency on a transparent basis.
4. Where services and systems are to be provided pursuant to the uniform network code by the agency, the licensee shall, together with other relevant gas transporters ensure that all such services and systems are provided or otherwise procured (including without limitation on a sub contracted basis) on a common basis pursuant to the AS agreement.
5. In respect of the services and systems to be provided by the agency under paragraphs 3 and 4 of this condition, the licensee shall be under an obligation to use or procure the use of such services and systems from the agency and shall not elect either expressly or by its conduct not to use nor to procure the use of the agency as the provider of such services and systems without the prior written consent of the Authority.
6. In the event that the licensee requests the consent of the Authority, subject to paragraph 5, such that it is not required to use or procure the use of all systems and services to be provided by the agency under paragraphs 3 and 4:
- (a) the licensee shall:
 - i. write to the Authority stating its reasons for this request; and
 - ii. clearly identify whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;
 - (b) the Authority, in relation to any information provided under sub-paragraph (a), if applicable:
 - i. may, if it considers that the information provided is insufficient, request that this information be supplemented with such additional material that it considers appropriate;
 - ii. shall make public the information (other than any confidential information) supplied by the licensee in any statement made under sub-paragraph (a), if applicable, and any supplementary information

provided to the Authority following its receipt in response to a request under sub-paragraph (i); and

- iii. shall consult with all relevant shippers, each other relevant gas transporter and other interested parties on the licensee's request for consent, under the provisions of paragraph 5, for a period of at least twenty-eight (28) days before providing its decision regarding the granting of consent to such a request.

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Standard Special Condition A16. Independence of the independent market for balancing

1. In this condition,

“total system” means the pipe-line system to which this licence relates, together with any other pipe-line system operated by the licensee and the pipe-line systems of all other relevant gas transporters;

“energy balancing gas transporter” means the relevant gas transporter in whose licence Special Condition C6 (Independent Market for Balancing) is effective;

“energy balancing” means the activity of the residual balancing of inputs of gas to, and offtakes of gas from, the total system as further described in the network code; and

“operator of the independent market for balancing” means a person who is independent of the energy balancing gas transporter.

2. This condition applies where the network code makes provision for the energy balancing of the total system by the energy balancing gas transporter through the operator of the independent market for balancing.

3. Unless the Authority otherwise consents, neither the licensee, nor any affiliate or related undertaking of the licensee shall hold (directly or indirectly) any ownership interest in the operator of the independent market for balancing nor shall it act in any manner which may prejudice the independence of the operator of the independent market for balancing from all relevant gas transporters.

Standard Special Condition A17. General obligations in respect of gas transporters' pipe-line systems.

1. The licensee shall act in a reasonable and prudent manner in the operation of the pipe-line system to which this licence relates in so far as such operation may affect the operation of the pipe-line system of any one or more other relevant gas transporter.
2. Without prejudice to the generality of paragraph 1, the licensee shall not knowingly or recklessly pursue any course of conduct (either alone or with some other person) which is likely to prejudice:
 - (a) the safe and efficient operation, from day to day, of the pipe-line system of any one or more other relevant gas transporter;
 - (b) the safe, economic and efficient balancing of the pipe-line system of any one or more other relevant gas transporter (so far as such other relevant gas transporter is required to balance its pipe-line system); or
 - (c) the due functioning of the offtake arrangements provided for in the network code.
3. The licensee shall not knowingly or recklessly act in a manner likely to give a false impression to a relevant gas transporter as to the expectations that that other relevant gas transporter may have as to either:
 - (a) the aggregate quantity of gas to be taken off that other relevant gas transporter's pipe-line system; or
 - (b) the aggregate quantity of gas to be brought onto that other relevant gas transporter's pipe-line system,by the licensee through the operation of the pipe-line system to which this licence relates.

Standard Special Condition A18. Not Used

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Standard Special Condition A19. 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 Special Condition A20. Provision of Services for Persons who are Blind or Deaf

1. **The licensee shall**, no later than 1 November 2001 or on such later date, as the Authority may approve, 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 Special Condition A24 (Preparation, Review of and Compliance with Statements and Codes).

Standard Special Condition A21. Not Used

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Standard Special Condition A22. 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 Special Condition A22A** (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 Special Condition A22A** (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 Special Condition A24 (Preparation, Review of and Compliance with Statements and Codes).

Standard Special Condition A22A. Authorisation of Officers

1. The arrangements referred to in Standard Special Condition A22 (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 Special Condition A22B. 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 Special Condition A22A (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.

Standard Special Condition A23. Complaint Handling Procedure

1. **The licensee shall**, no later than 1 November 2001 or on such later date, as the Authority may approve, 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 Special Condition A24 (Preparation, Review of and Compliance with Statements and Codes).

Standard Special Condition A24. 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 Special Condition A20 (Provision of Services for Persons who are Blind or Deaf), Standard Special Condition A22 (Arrangements in Respect of Powers of Entry) and Standard Special Condition A23 (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 Special Condition A25. Record of and Report on Performance

1. The licensee shall keep a record of its general operation of the arrangements mentioned in Standard Condition 20 (Standards of Performance) and Standard Special Condition A20 (Provision of Services for Persons who are Blind or Deaf), Standard Special Condition A22 (Arrangements in Respect of Powers of Entry), Standard Special Condition A22A (Authorisation of Officers), Standard Special Condition A22B (Exercise of Powers of Entry), Standard Special Condition A23 (Complaint Handling Procedure) and Standard Special Condition A24 (Preparation, Review and Compliance with Statements and Codes), 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.
6. The obligations of this condition shall apply in respect of each Distribution Network (as defined in Special Condition E2A) or the NTS (as defined in Special Condition C8A), as applicable.

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Standard Special Condition A26. 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.

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, and / or the person to whom the independent system will be disposed of, 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 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-

“alternative arrangements” means, in respect of relevant premises, arrangements for the conveyance of gas to protect the interests of consumers at such premises, as determined by the Secretary of State as suitable under sub-paragraph 2A(a) of this condition in this licence or the equivalent condition in the licence of any other relevant gas transporter

“appointed day” means 1 March 1996

“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.

Standard Special Condition A28. Not Used

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Standard Special Condition A29. Change of Financial Year

1. The definition of “financial year” in Standard Special Condition A3 (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 shall:
 - (a) 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) continue in effect until revoked by the licensee issuing a further notice.
3. 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 which specifies the licensee’s new financial year-end.
4. Where the licensee sends the Authority a new notice, the previous notice shall be revoked, as provided by sub-paragraph 2(b), and the licensee’s financial year-end shall change with effect from the date specified in the new notice.
5. The provisions of this condition shall not:
 - (a) apply to the financial year of the licensee as defined in Standard Special Condition A3 (Definitions and Interpretation) for the purpose of accounts or other information produced in compliance with Standard Special Condition A30 (Regulatory Accounts) and A40 (Price Control Review Information); or
 - (b) affect the licensee’s obligations in respect of payment of licence fees under standard condition 3 (Payments by the Licensee to the Authority).
6. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, references in this condition to “licensee” shall mean this legal entity.

Standard Special Condition A30. Regulatory Accounts

Part A: Application and purpose

1. The following paragraphs of this condition apply for the purpose of ensuring that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to prepare and publish:
 - (a) regulatory accounts for the following businesses, unless the Authority otherwise consents in writing –
 - (i) the transportation business in respect of each Distribution Network (as defined in Special Condition E2A) or the NTS (as defined in Special Condition C8A), where applicable;
 - (ii) NOT USED;
 - (iii) the metering business, separately identifying services provided pursuant to paragraph 1 of Standard Special Condition A10 (Provision and Return of Meters) with respect to each Distribution Network (as defined in Special Condition E2A) as appropriate;
 - (iv) the meter reading business;
 - (v) the de-minimis business to which this licence relates, separately identifying the allocation and / or apportionment of each de-minimis activity to each of the businesses in sub-paragraphs (i) to (iv) above, and clearly describing each such de-minimis activity;
 - (vi) other activities to which this licence relates which the Authority has given its consent in writing in accordance with sub-paragraph 3(d) of Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing) separately identifying the apportionment of these activities to each of the businesses in sub-paragraphs (i) to (iv) above, and clearly describing each service provided;

and for the whole business to which this licence relates, as represented by the aggregation of the businesses and activities referred to within sub-paragraphs (i), (ii), (iii), (iv), (v) and (vi) where applicable; and

(b) where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, the licensee shall:

(i) ensure that all businesses of the licence holder that relate to sub-paragraphs (i) to (vi) of paragraph 1 as are applicable are reflected in the regulatory accounts submitted in respect of those licences, such that, such regulatory accounts, when consolidated, reflect the total business of the licence holder; and

(ii) include within each set of regulatory accounts, prepared in accordance with those licences, sufficient information to reconcile all sets of regulatory accounts, prepared in accordance with those licences, to the statutory accounts of the holder of this licence, prepared under the Companies Act 1985. Such reconciliation, shall also provide details of any de-minimis business carried out by a relevant associate of the holder of the licence.

Part B: Preparation of accounts

2. For the purposes of this condition, but without prejudice to paragraph 6, the licensee must prepare regulatory accounts for each financial year ending on 31 March.
3. Unless the Authority otherwise consents, the licensee must:
 - (a) keep or cause to be kept for a period approved by the Authority, but not less than 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 and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, in respect of each of the businesses referred to in paragraph 1 are separately identifiable in the

accounting records of the licensee (and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee; and

(b) prepare, on a consistent basis from such accounting records:

- (i) in respect of each of the businesses referred to in paragraph 1, for each financial year, regulatory accounts comprising a profit and loss account (or, as appropriate, an income statement), a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and if appropriate a statement of recognised income and expense), a balance sheet, and a cash flow statement together with notes thereto stating the accounting policies adopted; and
- (ii) in respect of the whole business to which this licence relates, a directors' report, a corporate governance statement and an operating and financial review; and
- (iii) a statement 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 together with any subsidiary of 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 or 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 businesses referred to in paragraph 1.

4. 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 regulatory accounts in respect of a financial year change the bases of charge or apportionment or allocation referred to in sub-paragraph 3(b)(iii) from those applied in respect of the previous financial year.
5. Where, in relation to the regulatory accounts in respect of a financial year, the licensee has changed such bases of charge or apportionment or allocation or changed any of its accounting policies or the application of those accounting policies from those adopted for the immediately preceding financial year, the licensee shall, if directed in directions issued by the Authority in writing, in addition to preparing regulatory accounts on those bases which it has adopted, also prepare such regulatory accounts on the bases and the accounting policies and or the application of its accounting policies which applied in respect of that financial year.
6. Regulatory accounts and information in respect of a financial year prepared under sub-paragraph 3(b) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition, have the same content and format as the statutory accounts of the licensee prepared under sections 226 and 226A or, where appropriate, section 226B of the Companies Act 1985 and shall comply with all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, if the regulatory accounts and information have been prepared under section 226B of the Companies Act 1985, by the International Accounting Standards Board.

Part C: Audit and delivery of accounts

7. Unless the Authority otherwise consents, the licensee must:

- (a) procure, in relation to its regulatory accounts prepared under sub-paragraph 3(b):
 - (i) an audit by an appropriate auditor of such parts of those accounts as are specified in the Companies Act 1985 as being required to be so audited as if they were the statutory accounts of the licensee prepared under sections 226 and 226A or, as appropriate, section 226B of the Companies Act 1985 drawn up to 31 March; and
 - (ii) a report by that auditor, addressed to the Authority, stating whether in the auditor's opinion those accounts fairly present the financial position, financial performance, and cash flows of, or reasonably attributable to each of the businesses referred to in sub-paragraph 1(a) and the reconciliation information provided under sub-paragraph 1(b); and
 - (iii) a report by that auditor, addressed to the Authority, stating whether in the auditor's opinion, the licensee has respected the obligation to avoid discrimination and cross-subsidies within Article 17 of Directive 2003/55/EC of the European Parliament and of the European Council of 26 June 2003; and
 - (b) deliver to the Authority those accounts and the auditor's report referred to in sub-paragraphs (a)(ii) and a(iii) of this paragraph as soon as is reasonably practicable, and in any event prior to their publication under Part D and not later than 31 July following the end of the financial year to which the regulatory accounts relate.
8. For the purposes of paragraph 7, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the regulatory accounts of the licensee must be conducted by that auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with either section 226 or, as appropriate, 226B of the Companies Act 1985.

Part D: Publication of regulatory accounts

9. Unless the Authority otherwise directs, after consulting the licensee, the licensee must publish its regulatory accounts with the exception of the part of such regulatory accounts and information which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively and the reconciliation information provided under paragraph 1(b) where this is confidential:
- (a) as a stand-alone document in accordance with this condition;
 - (b) by 31 July following the end of the financial year to which the accounts relate;
 - (c) on a website used by the licensee in its ordinary course of business (where the regulatory accounts should be reasonably accessible to any person requiring them); and
 - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
10. A copy of the regulatory accounts must be provided free of charge:
- (a) to the Consumer Council no later than the date on which the accounts are published; and
 - (b) to any person requesting a copy.
11. This condition shall not require the publication of any regulatory accounts for 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.

Part E: Interpretation

12. 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 on which this condition takes effect, it **shall** be construed as if such provisions were in force at such date.
13. NOT USED
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 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.**
15. A consent under paragraph 3, 4, 7 or 11 may be given in relation to some or all requirements of that paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.
16. In this condition: **references to “de-minimis business” shall include those businesses or activities that fall within the definition of de-minimis business within Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), and:**
(a) have been allocated or apportioned to this licence; or
(b) are businesses or activities undertaken by a relevant associate or relevant associates of the licence holder with either sub-paragraph (a) or sub-paragraph (b) applying as the context requires;

“operating and financial review” means the operating and financial review prepared in accordance with Schedule 7ZA

of the Companies Act 1985 introduced by the Companies Act 1985 (operating and financial review and directors' reports) Regulations 2004; and

“relevant associate” is as defined in paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing).

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Standard Special Condition A31. 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”) consistent with its obligations under Standard Special Condition A15 (Agency) and the network code.
2. The licensee shall ensure that the supply point information service fulfils, for all premises connected to the pipe-line system to which this licence relates, including secondary sub-deduct 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 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 pipe-line system to which this licence relates, 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 pipe-line system to which this licence relates on request:
 - (i) such information as is in the possession of the licensee regarding predicted gas pressures on the pipe-line system to which this licence relates 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 pipe-line system to which this licence relates 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.

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Standard Special Condition A32. Definition of permitted purpose

1. In this **licence**, unless the context otherwise requires:

“permitted purpose” means the purpose of all or any of the following:

- (a) the transportation business;
- (b) the **metering** business;
- (c) the **meter** reading business;
- (d) or any other business or activity within the limits of paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing);
- (e) without prejudice to the generality of paragraph (a) to (d), any payment or transaction lawfully made or undertaken by the licensee for a purpose **within** subparagraphs 1(b)(i) to (vii) of Standard Special Condition A39 (Indebtedness).

Standard Special Condition A33. Restriction on Use of Certain Information and Independence of the Transportation Business

1. In this Condition, and in Standard Special Condition A34 (Appointment of Compliance Officer):

“Confidential information” means information relating to, or derived from, the transportation business which is not published or otherwise legitimately in the public domain;

“relevant supplier” means the holder of an electricity or gas supply licence which is an affiliate or related undertaking of the licensee;

“relevant shipper” means a gas shipper which is an affiliate or related undertaking of the licensee;

“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 designated for the purposes of this condition by the Authority;
 - (ii) in the case of the licensee, such activities in connection with either the efficient operation of the pipe-line system to which its licence relates or the replacement of gas lost from that system; or
 - (iii) such activities as the licensee may engage in with a gas shipper or with a person who benefits from an exemption under section 6A of the Act from the prohibition under section 5(1)(c) of the Act;

“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 Standard Special Condition A10 (Provision and Return of Meters); and

“Transportation business” includes the licensee’s metering business other than its meter-related services business.

2. The licensee shall put in place and at all times maintain managerial and operational systems which prevent any relevant supplier, relevant shipper, any trading business, its Meter-Related Services Business or its Meter Reading Business from having access to confidential information except and to the extent that such information:
 - (a) is made available on an equal basis to any gas or electricity supplier or gas shipper; or
 - (b) appertains to a customer who at the time to which the information relates was a customer of the relevant supplier.
3. The licensee shall at all times manage and operate the transportation business in a way calculated to ensure that it does not restrict, prevent or distort competition in the supply of electricity or gas, the shipping of gas, the generation of electricity, any trading business, or the supply of meter-related services or meter reading.
4. Unless otherwise directed by the Authority, the licensee shall no later than 1 May 2005 have in place a statement (in this Condition “**the statement**”), approved by the Authority, describing the practices, procedures and systems which the licensee has adopted (or intends to adopt) to secure compliance with paragraphs 2 and 3.
5. Where the Authority does not indicate otherwise within 60 days of receipt of the statement, the statement shall be deemed to be approved by the Authority.
6. The statement shall in particular (but without prejudice to the generality of paragraphs 2 and 3) set out how the licensee shall:
 - (a) maintain the full managerial and operational independence of the transportation business from any relevant supplier, relevant shipper, any trading business, its Meter-Related Services Business and its Meter Reading Business;
 - (b) maintain the branding of the transportation business so that it is fully independent from the branding used by any relevant supplier, relevant shipper, any trading business, its Meter-Related Services Business or its Meter Reading Business;
 - (c) secure that any arrangements for the use of or access to:

- (i) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the transportation business;
- (ii) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the transportation business also have access;
- (iii) equipment, facilities or property employed for the management or operation of the transportation business; or
- (iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management of operation of the transportation business;

by any relevant supplier, relevant shipper, any trading business, its Meter-Related Services Business or its Meter Reading Business or by any person engaged in or in respect of the activities of such a relevant supplier, relevant shipper, any trading business, its Meter-Related Services Business or its Meter Reading Business shall be such as to prevent any breach of the requirements of those paragraphs; and

- (d) manage the transfer of employees from the transportation business to any relevant supplier, relevant shipper, any trading business, its Meter-Related Services Business or its Meter Reading Business.

7. The licensee shall revise the statement prepared in accordance with paragraph 4 where circumstances change such that the statement prepared in accordance with paragraph 4 no longer secures compliance with paragraphs 2 and 3. Such revision of the statement shall only become effective once the Authority has approved the revised statement in accordance with paragraphs 4 or 5.

8. The licensee shall take all reasonable measures to ensure compliance with the terms of the statement as from time to time revised and approved by the Authority.

9. The licensee shall publish a copy of the approved statement prepared in accordance with paragraph 4 (or the latest approved version) on its company's website within fifteen working days of its approval by the Authority.

Standard Special Condition A34. Appointment of Compliance Officer

1. The licensee shall ensure, following consultation with the Authority that a competent person (who shall be known as the “compliance officer”) shall be appointed for the purpose of facilitating compliance by the licensee with Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) and Standard Special Condition A35 (Prohibition of Cross-Subsidies).
2. The licensee shall at all times ensure that the compliance officer is engaged for the performance of such duties and tasks as the licensee considers it appropriate to assign to him for the purpose specified as paragraph 1, which duties and tasks shall include those set out at paragraph 5.
3. The licensee shall procure that the compliance officer:
 - (a) is provided with such staff, premises, equipment, facilities and other resources; and
 - (b) has such access to the licensee’s premises, systems, information and documentationas, in each case, he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.
4. The licensee shall make available to the compliance officer a copy of any complaint or representation received by it from any person in respect of a matter arising under or by virtue of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business).
5. The duties and tasks assigned to the compliance officer shall include:
 - (a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with relevant duties;
 - (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business);

- (c) advising whether, to the extent that the implementation of such practices, procedures and systems requires the co-operation of any other person, they are designed so as reasonably to admit the required co-operation;
 - (d) investigating any complaint or representation made available to him in accordance with paragraph 4;
 - (e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
 - (f) providing relevant advice and information to the licensee for the purpose of ensuring its implementation of;
 - (i) the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business); and
 - (ii) any remedial action recommended in accordance with sub-paragraph (e); and
 - (g) reporting annually to the directors of the licensee – in respect of each year after this condition comes into force – as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.
6. As soon as is reasonably practicable following each annual report of the compliance officer, the licensee shall produce a report:
- (a) as to its compliance during the relevant year with the relevant duties; and
 - (b) as to its implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business).
7. The report produced in accordance with paragraph 6 shall in particular:
- (a) detail the activities of the compliance officer during the relevant year;

- (b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the statement **referred to** at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business); and
 - (c) set out the details of any investigations conducted by the compliance officer, including:
 - (i) the number, type and source of the complaints or representations on which such **investigations** were based;
 - (ii) the outcome of such investigations; and
 - (iii) any remedial action taken by the licensee following such investigations.
8. The licensee shall submit to the Authority a copy of the report produced in accordance with paragraph 6, and shall publish the report on its website.

Standard Special Condition A35. 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.
2. In the event that the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters such that the holder of this licence is:
 - (a) an NTS operator; and/or
 - (b) a DN operator,the provisions set out in paragraph 1 shall also apply so that no NTS operator or DN operator shall give any cross-subsidy to, or receive any cross-subsidy from, any other NTS operator or DN operator.
3. If applicable, where the licensee is a DN operator that operates more than one Distribution Network (as defined in Special Condition E2A (Revenue Restriction Definitions in respect of the Distribution Network)) no such Distribution Network shall be operated in a manner that gives any cross-subsidy to, or receives any cross-subsidy from, any other such Distribution Network.

Standard Special Condition A36. Restriction on Activity and Financial Ring-Fencing

1. **Save as provided by** paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than any business carried on by the licensee for a purpose within the **sub-paragraphs (a), (b), and (c) of the definition of “permitted purpose” in Standard Special Condition A32 (Definition of permitted purpose);.**
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 **by the UK listing authority, or a successor body**) 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 **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.

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”) from 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 or a relevant associate or relevant associates other than the business or activities falling within sub-paragraph (a), (b), (c) or (e) of the definition of “permitted purpose” contained in Standard Special Condition A32 (Definition of permitted purpose) and any 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 neither of the following limitations is exceeded, namely:
 - (i) the aggregate turnover of all the de-minimis business of the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5% of the aggregate turnover of the transportation business as shown by its most recent audited accounting statements of the licensee produced under paragraph 3(b) of Standard Special Condition A30 (Regulatory Accounts); and
 - (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 all its de-minimis business 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 (including retained earnings) of the licensee as shown by its most recent audited historical cost financial statements then available.
 - (c) For the purpose of sub-paragraph (b) above, “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 and 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 13 December 1999 (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 the licensee's equity share of the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by 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 referred to in sub-paragraph 4(d)(i) of this condition.

5 For the purposes of paragraph 4, "equity share", in relation to any shareholding, means the normal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

6. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, references in this condition to "licensee" shall mean this legal entity.

Standard Special Condition A37. Availability of Resources

1. The licensee shall at all times act in a manner calculated to secure that it has available to itself such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, 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 business of the licensee;
and
 - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to those businesses including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of gas transportation.
2. The licensee shall by 31 July of each year submit to the Authority a certificate, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, in one of the following forms:
 - (a) “After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the directors of the licensee have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the activities authorised by the licence(s) held in accordance with its obligations under the Act and such licence(s) for a period of 12 months from the date of this certificate.”
 - (b) “After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the directors of the licensee have a reasonable expectation, subject to what is said below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the activities authorised by the licence(s) held in accordance with its obligations under the Act and such licence(s) 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(s) as aforesaid.”

(c) “In the opinion of the directors of the licensee, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the activities authorised by the licence(s) held in accordance with its obligations under the Act and such licence(s) 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 the certificate, together with, confirmation of the availability of financial facilities, and a working capital statement in the format required by the UK listing authority (or a successor body).
4. The statement submitted to the Authority in accordance with paragraph 3 shall be approved by a resolution of the board of directors of the licensee and must be signed by a director of the licensee pursuant to that resolution.
5. 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 most recent certificate given under paragraph 2.
6. The licensee shall require that each certificate, provided for in paragraph 2, is accompanied by 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 on the regulatory accounts of the licensee prepared pursuant to Standard Special Condition A30 (Regulatory Accounts).
7. 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, nor redeem or repurchase any share capital of the licensee unless prior to the declaration, recommendation or making of the distribution (as the

case may be) the licensee has 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 Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee) and paragraph 1 of Standard Special Condition A39 (Indebtedness) of its licence; and
- (ii) that the making of a distribution of [] on [] 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 must have been 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 provided that such payment is made within six months of the issuing of that certificate.

8. NOT USED

9. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, references in this condition to “licensee” shall mean this legal entity.

Standard Special Condition A38. Credit Rating of the Licensee

1. The licensee shall use all reasonable endeavours to ensure that the licensee maintain at all times an investment grade issuer credit rating.

2. In this condition:

“investment grade issuer credit rating” is an issuer credit rating being:

- (a) an issuer rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries; or
- (b) an issuer rating of not less than Baa3 by Moody’s Investors Service, Inc. or any of its subsidiaries; or
- (c) an issuer senior unsecured debt rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries; or
- (d) such higher rating as shall be specified by those agencies from time to time as the lowest investment grade credit rating; or
- (e) 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.

3. In this condition:

“issuer credit rating” means:

- (a) an issuer rating by Standard & Poor’s Ratings Group or any of its subsidiaries; or
- (b) an issuer rating by Moody’s Investors Service, Inc. or any of its subsidiaries; or
- (c) an issuer senior unsecured debt rating by Fitch Ratings Ltd or any of its subsidiaries; or
- (d) 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.

4. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, references in this condition to “licensee” shall mean this legal entity.

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Standard Special Condition A39. Indebtedness

1. In addition to the requirements of Standard Special Condition A27 (Disposal of Assets), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
 - (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 a permitted purpose; and
 - (iv) (if the transaction is within the ambit of Standard Special Condition A27 (Disposal of Assets)) in accordance with that condition;
 - (b) transfer, lease, license or lend any sum or 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) a 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 **referred to in paragraph 2**;
 - (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 ; or

- (vii) an acquisition of shares or other investments in conformity with paragraph 2 of Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing) made on an arm's length basis and on normal commercial terms;

provided however that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein.

- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or
- (d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting at 13 December 1999, save that the licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous;

provided however that the provisions of sub-paragraphs (c) and (d) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in sub-paragraph (b)(iv) of paragraph 1 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.

3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in sub-paragraph (b) of paragraph 1 save in accordance with paragraph 5, if:

- (a) the licensee does not hold an investment grade issuer credit rating within the meaning of Standard Special Condition A38 (Credit Rating of the Licensee); or
- (b) the licensee's issuer credit rating is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investor Service, Inc, or such higher issuer credit rating as may be specified by any of these credit rating agencies from time to time as the lowest investment grade credit rating and:
 - (i) is on review for possible downgrade; or
 - (ii) is on Credit Watch or Rating Watch with a negative designation; or where neither (i) nor (ii) applies;
 - (iii) the rating outlook of the licensee as specified by any credit rating agency referred to in sub-paragraph (b) has been changed from stable or positive to negative.

4. In the case where the licensee holds different eligible issuer credit ratings as defined in Standard Special Condition A38 (Credit Rating of the Licensee), the lower (or lowest) of the licensee's issuer credit ratings will apply.

5. Where paragraph 3 applies, the licensee may not without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the licensee as described or referred to in paragraph 1 sub-paragraph (b), otherwise than by way of:

- (a) payment properly due for any goods, services or assets in relation to commitments entered into prior the date on which the circumstances described in paragraph 3 arise, and which are provided on an arm's length basis and on normal commercial terms;
- (b) a 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 where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;

- (c) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a) of paragraph 1 and which was contracted prior to the date on which the circumstances in paragraph 3 arise, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; or
- (d) 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, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

3. In this condition:

“cross-default obligation”

means a term of any agreement or arrangement whereby the licensee’s liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, increasing or of being accelerated 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,
- (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 paragraph (a) of the definition of permitted purpose set out in Standard Special Condition A32 (Definition of permitted purpose).

“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.

7. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, references in this condition to “licensee” shall mean this legal entity.

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Standard Special Condition A40. Price Control Review Information

Part A: Application and purpose

1. The Authority may by notice direct that the provisions of paragraphs 2 to 15 of this condition shall apply to the licensee in respect of the price control review information of the licensee relating to the financial year after such a direction is issued and each succeeding financial year for the purposes set out in paragraph 2.
2. Those purposes are:
 - (a) to ensure that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to prepare price control review information for submission to the Authority in accordance with the requirements of this condition and any regulatory cost reporting instructions and guidance in force under it; and
 - (b) to facilitate any review or modification by the Authority of the requirements of any of the charge restriction conditions of this licence (“a price control review”).

Part B: Preparation of price control review information

3. Unless the Authority otherwise consents, the licensee must:
 - (a) keep or cause to be kept for a period approved by the Authority, but not less than 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 and other records as are necessary to ensure that the price control review information of, or reasonably attributable to each of the businesses referred to in paragraph 1 of Standard Special Condition A30 (Regulatory Accounts), are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee); and
 - (b) prepare and submit to the Authority, on a consistent basis from such accounting records in respect of each financial year, price control review

information for such aspects of the licensee's business; and of the business of each affiliate or related undertaking that either directly or indirectly provide goods and services to the licensee, either separately or consolidated and in such manner and in respect of such financial year as may be required under the regulatory cost reporting instructions and guidance.

Part C: Delivery and review of price control review information

4. Unless the Authority otherwise consents, the licensee must deliver the price control information to the Authority as soon as is reasonably practicable, and in any event not later than 31 July following the end of the financial year to which such information relates.
5. The Authority may, in addition to any audit carried out in accordance with Standard Special Condition A30 (Regulatory Accounts), arrange for a review by a person nominated by the Authority (in each case "a reviewer") of matters in the price control review information in respect of which the Authority requires clarification.
6. The licensee shall give to such person all such assistance as they may reasonably require for the purpose for which he has been nominated.
7. The licensee shall (and must procure, insofar as it is able to do so, that any affiliate of the licensee, any person by whom it procures the performance of any obligation under this condition and any auditor of such person, the licensee, or any affiliate of the licensee shall) co-operate fully with a reviewer so as to enable him to carry out, complete and report to the Authority on any review carried out in accordance with paragraph 5.

Part D: Regulatory cost reporting instructions and guidance

8. For the purposes of this condition, "regulatory cost reporting instructions and guidance" means the common set of rules and instructions of that name issued by direction of the Authority in accordance with this condition and to be followed by the licensee and all other relevant gas transporters in their preparation and submission of price control review information.

9. A direction under this condition is only effective where the Authority:

- (a) has informed the licensee of its intention to issue the regulatory cost reporting instructions and guidance in a notice which:
 - (i) states the date on which it is proposed that the direction should take effect;
 - (ii) sets out the contents of the regulatory cost reporting instructions and guidance which the Authority proposes to issue; and
 - (iii) specifies the period (not being less than 28 days from the date of the notice) within which representations or objections with respect to those guidance may be made; and
- (b) has considered any representations or objections which are duly made and not withdrawn, and given reasons for its decision.

10. Subject to paragraph 11, the regulatory cost reporting instructions and guidance may, in relation to any requirement of this condition, specify:

- (a) the meaning to be applied to words and phrases (other than those defined in this or any other condition of this licence) used in connection with such information;
- (b) the methodology for calculating or deriving numbers comprising any part of such information;
- (c) requirements as to the form and manner in which information must be recorded;
- (d) requirements as to the standards of accuracy and reliability with which information must be recorded;
- (e) requirements as to the form and the content of this information,
- (f) requirements as to the manner in which such information must be provided to the Authority; and

(g) requirements as to those parts of such information which are to be considered by the review and the nature of that consideration,

and may specify which (if any) of the information provided under this condition is to be subject to publication.

11. Regulatory cost reporting instructions and guidance must be limited to what is necessary to achieve the purposes of this condition, and may not purport to have effect with respect to the interpretation of any other condition of this licence or the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.

Part E: Modification of the Regulatory cost reporting instructions and guidance

12. The Authority may modify, in whole or in part, any regulatory cost reporting instructions and guidance issued under this condition, in accordance with the following provisions of this Part E.

13. Where the Authority considers that it is necessary and expedient to modify the regulatory cost reporting instructions and guidance in order to provide more accurate, consistent, useful, or comparable information for the purposes of a price control review, it may do so by issuing directions to that effect where it:

(a) has first given notice to all relevant gas transporters:

(i) stating that it proposes to make the modification;

(ii) setting out the purpose and effect of the modification and the date on which it is proposed to come into effect; and

(iii) specifying the period (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made; and

(b) has considered any representations or objections which are duly made and not withdrawn, and given reasons for its decisions.

Part F: Interpretation

14. A consent under paragraph 3 or 4 may be given in relation to some or all of the requirements of those paragraphs and subject to such conditions as the Authority considers appropriate having regard to the purposes of this condition.

15. For the purposes of this condition:

"a reviewer" means a person nominated by the Authority (who may be an appropriate auditor or other competent person) to undertake a review of the price control review information prepared by the licensee; and

"price control review information" means the information required to be submitted by the licensee pursuant to this condition, and is to be interpreted in accordance with the regulatory cost reporting instructions and guidance.

Standard Special Condition A41. 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 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.

Standard Special Condition A42. Not Used

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Standard Special Condition A43. Provision of Metering and Meter Reading Services

1. Before attending to any request from a supplier:
 - (a) pursuant to paragraph 1 of Standard Special Condition A10 (Provision and Return of Meters);
 - (b) in relation to the provision of metering services other than those 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 Special Condition A10 (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.

Standard Special Condition A44. Not Used

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Standard Special Condition A45. Assignment of Licence

1. For the purposes of Section 8AA of the 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.

Standard Special Condition A46. 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 condition, the licensee shall not make charges for the provision of metering activities to any supplier or class or classes of supplier which differ in respect of any item separately identified in the statements referred to in paragraph 5 of Standard Special Condition A43 (Provision of Metering and Meter Reading Services) from those for the provision of metering activities to any other gas supplier or class or classes of supplier except insofar as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraph 2 of this 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 Standard Special Condition A43 (Provision of Metering and Meter Reading Services) on any supplier 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 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 whichever of Special Condition C12 (Restriction of prices in respect of tariff capped metering activities) or Special Condition E5 (Restriction of prices in respect of tariff capped metering services) **is effective in this licence.**

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Standard Special Condition A47. Charging of Gas Shippers – Domestic Infill Premises

1. Where the licensee makes charges in accordance with Standard Special Condition A4 (Charging – 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;
 - (c) 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;
 - (d) 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;
 - (e) 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
 - (f) the Authority may direct the licensee not to make the surcharge within 28 days of the notification in (e) above.

Standard Special Condition A48. 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 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 Special Condition A4 (Charging – 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 1st April.

- (c) 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.

16. For the avoidance of doubt, the arrangements for administering increases to transportation charges in order to compensate any gas supplier which claims for losses that it has incurred in complying with a last resort supply direction, under the provisions of this condition, shall be administered by the agency (as defined in Standard Special Condition A15 (Agency)), unless the Authority otherwise consents in writing.

Standard Special Condition A49. Designated Registrar of Pipes

1. The Authority may by notice designate the licensee as a 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(s) of pipes pursuant to Standard Special Condition A50 (Information to be Provided to a 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 Special Condition A50 (Information to be Provided to a 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 Special Condition A50 (Information to be Provided to a 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 Special Condition A50 (Information to be Provided to a 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 Special Condition A50. Information to be Provided to a 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 appropriate 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 appropriate 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 appropriate designated registrar of pipes of the proposed location of the main.

STANDARD SPECIAL CONDITIONS APPLICABLE TO ALL NTS LICENSEES:

PART B

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Standard Special Condition B1. Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees

1. With the exception of,

- (i) paragraphs 1 to 4 inclusive of this condition;
- (ii) any new condition introduced into this Part B: Standard Special Conditions applicable to all NTS licensees proposed by the Authority under Standard Special Condition B2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to NTS licensees) following the introduction of this condition; and
- (iii) any new condition introduced into this Part B: Standard Special Conditions applicable to all NTS licensees proposed by the Authority following the introduction of this condition by way of a direction under the Act,

until the Authority has issued a direction to the licensee pursuant to paragraph 2 of this condition, the Standard Special Conditions applicable to all NTS licensees, shall not have effect in this licence; and the licensee

- (a) shall not be obliged to comply with any of the requirements of the Standard Special Conditions applicable to NTS licensees contained in this licence; and
- (b) shall be obliged to comply with the requirements of the standard conditions contained in Sections A (Interpretation, Application and Payments) and B (General) of this licence.

2. (a) Subject to paragraph 4 of this condition, the Authority may, with the consent of the licensee and subject to paragraph 3 of this condition, issue a direction (a “Standard Special Conditions Part B direction”).

(b) A direction issued by the Authority under paragraph 2(a) above may specify which:-

- (i) Standard Special Conditions applicable to NTS licensees are to have effect in this licence, either in whole or in part;
- (ii) Standard Special Conditions applicable to NTS licensees are not to have effect in this licence, either in whole or in part;
- (iii) standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) shall not have effect in this licence, either in whole or in part; and/or
- (iv) standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) shall have effect in this licence, either in whole or in part

from the date specified in the direction.

3. For the avoidance of doubt, the power to make a direction under paragraph 2 of this condition permits the Authority to apply or disapply, in whole or in part (as the case may be):-

- (a) this Part B: Standard Special Conditions applicable to all NTS licensees as a whole with the exception of paragraphs 1 to 4 inclusive of this condition;
- (b) any individual condition or conditions in this Part B: Standard Special Conditions applicable to all NTS licensees with the exception of paragraphs 1 to 4 inclusive of this condition;
- (c) a designated Section of standard conditions in Section A (Interpretation, Application and Payments) and/or Section B (General) as a whole; and/or
- (d) any individual standard condition or conditions in Section A (Interpretation, Application and Payments) and/or Section B (General).

4. For the avoidance of doubt, notwithstanding references in this condition to the consent of the licensee being required to issue or vary a Standard Special Conditions

Part B direction, where a Standard Special Condition is (i) modified, or (ii) a new Standard Special Condition is introduced in accordance with Standard Special Condition B2 (Private Collective Modification Procedure in respect of Standard Special Conditions applicable to NTS licensees) the consent of a licensee to introduce such condition or variation shall not be required where the criteria for introduction or modification set out in Standard Special Condition B2 (Private Collective Modification Procedure in respect of Standard Special Conditions applicable to NTS licensees) have been met and the Authority shall be able to introduce such a condition or modification without consent of the licensee and issue any consequential variation to the licence as required.

5. Where the Authority has issued a Standard Special Conditions Part B direction to the licensee in accordance with paragraph 2,
- (a) the conditions in this Part B: Standard Special Conditions applicable to all NTS licensees (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 the Standard Special Conditions applicable to NTS licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction;
 - (b) the conditions in this Part B: Standard Special Conditions applicable to all NTS licensees (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of the Standard Special Conditions applicable to NTS licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction;
 - (c) the standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of the

standard conditions (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction; and/or

- (d) the standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) (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 the standard conditions (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

6. Subject to paragraph 4 of this condition, the Authority may, with the consent of the licensee, issue a further Standard Special Conditions Part B direction in accordance with paragraph 2 to:

- (a) vary the terms (as set out in the Standard Special Conditions Part B direction or elsewhere) under which the Standard Special Conditions applicable to NTS licensees (or parts thereof) and/or the standard conditions set out in Section A (Interpretation, Application and Payments) and/or Section B (General) (or parts thereof) have effect or cease to have effect in this licence; or
- (b) provide for the Standard Special Conditions applicable to NTS licensees (or parts thereof) to cease to have effect or to have effect in this licence and/or the standard conditions set out in Section A (Interpretation, Application and Payments) and/or Section B (General) (or parts thereof) to have effect or 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 under that paragraph of this condition.

8. With effect from the date contained in the notice issued under paragraph 7 of this condition, paragraphs 5 to 7 of this condition shall, to the extent appropriate, 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.

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Standard Special Condition B2. Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to NTS licensees

1. For the purposes of this condition, the following words shall have the meaning set out below:

“modifications”

includes additions, alterations, and omissions and cognate expressions shall be construed accordingly;

“private collective licence modification procedure”

means the procedure set out in this condition and the corresponding provisions of other relevant gas transporter licences for modifying collectively only the Standard Special Conditions in Part B: Standard Special Conditions applicable to all NTS licensees which are effective in this licence and other relevant gas transporter licences (pursuant to a Standard Special Conditions Part B direction under Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees));

“relevant gas transporter licence”

means in relation to this condition only a licence granted under section 7 of the Act which contains Standard Special Conditions applicable to NTS licensees;

“relevant licence holder”

in relation to proposed modifications under this condition means the holder of a relevant gas transporter licence which:

(a) is to be modified under the proposals by the inclusion of any new condition in Part B: Standard Special Conditions applicable to all NTS licensees only pursuant to the private collective licence modification procedure; or

(b) includes any condition in Part B: Standard Special Conditions applicable to all NTS licensees only to which the proposals relate, other than conditions in Part B: Standard Special Conditions applicable to all NTS licensees which are not in effect (by virtue of any direction issued pursuant to Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees) at the time specified in the relevant notice under paragraph 4(a) of this condition,

and for the avoidance of doubt, the holder of a relevant gas transporter licence the conditions of which are not to be modified or into which new

conditions are not to be inserted pursuant to the private collective licence modification procedure under the proposals contained in a particular relevant notice shall not, for the purposes of such modifications to existing conditions or new conditions contained in that relevant notice, be a relevant licence holder;

“relevant notice”

means a notice given by the Authority pursuant to paragraph 4(a) of this condition which contains the Authority’s proposals for the modification of conditions contained in, or inclusion of new conditions into Part B: Standard Special Conditions applicable to all NTS licensees which either are, or are to be, effective in relevant gas transporter licences only;

“relevant time”

means 06.00 hours on the day which is thirty (30) days prior to the day on which the Authority gives relevant notice;

“statutory CLM procedure”

means the collective licence modification procedure set out in section 23 of the Act for standard conditions of licences under section 7 of the Act;

“weighted according to market share”

Means, in the case of relevant licence holders who have given notice of objection, multiplied by a factor which is equal to the total quantity of gas conveyed to the premises of consumers by those relevant licence holders during the twelve month period ending at the relevant time divided by the total quantity of gas

conveyed to the premises of consumers during the twelve month period ending at the relevant time by **all** relevant licence holders, as calculated by the Authority on the basis of information available to it.

2. The purpose of this condition is to set out (pursuant to section 7B(7)(b) of the Act) a procedure under which Standard Special Conditions **in Part B: Standard Special Conditions** applicable to all NTS licensees **effective in** this licence and other relevant gas transporter licences only may be collectively modified **or new conditions inserted into such Part B.**
3. Without prejudice to any other method of modification set out in the Act, Standard Special Conditions **in Part B: Standard Special Conditions** applicable to all NTS licensees **effective in** this licence and other relevant gas transporter licences) may be modified **or new conditions inserted into such Part B** pursuant to **the** private collective licence modification procedure.
4. Standard Special Conditions **in Part B: Standard Special Conditions** applicable to all NTS licensees **effective in** this licence and other relevant gas transporter licences may be modified **or new conditions inserted into such Part B** in the following manner:
 - (a) before making modifications under this condition, the Authority shall give notice (a “relevant notice”):
 - (i) stating that it proposes to make the modifications and setting out their effect;
 - (ii) stating the reasons why it proposes to make the modifications; and
 - (iii) specifying the time (not being less than 28 days from the date of publication of the relevant notice) within which representations **concerning** or objections to the proposed modifications may be made, and the **Authority** shall consider any representations or objections which are duly made and not withdrawn.
 - (b) A relevant notice under paragraph **4**(a) above shall be given:

- (i) by publishing the relevant notice in such manner as the Authority considers appropriate for the purpose of bringing the relevant notice to the attention of persons likely to be affected by the making of the modifications; and
 - (ii) by sending a copy of the relevant notice to the relevant licence holders, to the Secretary of State, to the Health and Safety Executive and to the Consumer Council.
- (c) If, within the time specified in the relevant notice under paragraph 4(a) above, the Secretary of State directs the Authority not to make any modification, the Authority shall comply with the direction.
- (d) The Authority may not make any modifications to any Standard Special Conditions in Part B: Standard Special Conditions applicable to all NTS licensees effective in this licence or insert any new conditions in this Part B or any corresponding Part B of any other relevant gas transporter licence pursuant to this condition or any corresponding condition effective in such other relevant gas transporter licence, unless:
 - (i) no notice of objection to those modifications set out in the relevant notice is given to the Authority within the time specified in the relevant notice under paragraph 4(a) above by any relevant licence holder;
 - (ii) if one or more relevant licence holders gives notice of objection to the Authority within that time:
 - (aa) the proportion (expressed as a percentage) of the relevant licence holders who have given notice of objection is less than twenty (20) per cent of all relevant licence holders; and
 - (bb) the proportion (expressed as a percentage) of the relevant licence holders who have given notice of objection, weighted according to their market share, is less than twenty (20) per cent;
 - or
 - (iii) the Authority is of the opinion:

- (aa) that the effect of the Standard Special Conditions **in Part B: Standard Special Conditions** applicable to all NTS licensees **effective in** relevant gas transporter licences only is such as to impose a burden affecting relevant licence holders in the carrying on of activities to which the modifications relate; and
 - (bb) that the modifications would remove or reduce the burden without removing any necessary protection.
- 5. Where at any time the Authority modifies under this condition the Standard Special Conditions **in Part B: Standard Special Conditions** applicable to all NTS licensees **effective in** this licence **or inserts new conditions into such Part B of this licence** and **makes equivalent changes to the corresponding Part B of** other relevant gas transporter licences) only, it:
 - (a) shall also **include** the same conditions **as so modified** in relevant gas transporter licences granted after that **modification**; and
 - (b) may make such incidental or consequential modifications as it considers necessary or expedient of any conditions of relevant gas transporter licences granted before that time.
- 6. Where at any time the Authority modifies conditions under paragraph **5** of this condition for the purposes of their incorporation in relevant gas transporter licences granted after that time, it shall publish the modifications in such manner as it considers appropriate.
- 7. This condition is intended largely **to** replicate, in relation to the Standard Special Conditions **in Part B: Standard Special Conditions** applicable to all NTS licensees **effective in** this licence and other relevant gas transporter licences only, the statutory CLM procedure. Where there is any ambiguity in the application or effect of this condition, the Authority may, except where the contrary intention appears, follow any approach taken in relation to the statutory CLM procedure. Unless the contrary intention appears, any guidance issued by the Authority in relation to the statutory CLM procedure shall apply (with the necessary changes having been made) equally to modifications made pursuant to this condition. The Authority may issue guidance on the procedures that the Authority will follow in proposing and making collective

licence modifications pursuant to the private collective licence modification procedure.

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SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Special Condition C1. Amendments to Standard Special Conditions relating to LNG

1. Amendments to Standard Special Condition A3 (Definitions and Interpretation)

Standard Special Condition A3 (Definitions and Interpretation) shall be amended by the addition of the following definitions which shall, where stated or where the context requires, replace or amend the relevant definition contained in Standard Special Condition A3 (Definitions and Interpretation) in this licence as follows:

“competition in relation to the storage of gas in LNG storage facilities”

means effective competition in or to the storage service offered by the LNG storage facilities, taking account of the provision by other persons of goods or services of equivalent purpose or effect to such storage (including where appropriate supplies of peak gas and the interruption of supplies to customers in accordance with their terms of supply);”

“LNG”

means liquefied natural gas;”

“LNG storage arrangements” means arrangements whereby gas shippers may, from time to time and in different cases and circumstances, have gas stored in the LNG storage facilities;”

“LNG storage business” means the activities of the licensee connected with the development, administration, maintenance and operation of the LNG storage facilities by the licensee for the storage of gas in Great Britain and with the supply of LNG storage services relating to those facilities;”

“LNG storage facilities” means containers for the storage of LNG operated by the licensee and any other facilities used by the licensee in connection with the storage of LNG in Great Britain which both are operated by the person who holds this licence and were so operated at a time during the period of 12 months ending with 1 March 1996,”

“supply of LNG storage services” means the undertaking and performance for gain or reward of engagements in connection with the storage of gas in the LNG storage facilities;”

“Transportation and LNG Storage Business” means the transportation business and the LNG storage business but excluding, for the avoidance of doubt, the metering business and the meter reading business;

2. **Amendments to Standard Special Condition A4 (Charging– General)**

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

- (a) the deletion of the words “NOT USED” and the insertion of the following at paragraphs 6, 7, 9 and 10:

“6. In any case in which the licensee is willing to enter into LNG storage arrangements -

- (a) if the charges in pursuance of those arrangements are not governed by the methodology established under paragraph 5, the licensee shall avoid any undue preference or undue discrimination in the terms on which it enters into such arrangements; and
- (b) if either those charges or any charges made in pursuance of transportation arrangements other than LNG storage arrangements are not governed as aforesaid, the licensee shall ensure so far as is reasonably practicable, that no unjustified cross-subsidy is involved between the terms on which it enters into the LNG storage arrangements and those on which it enters into other transportation arrangements.”

“7. Any question which arises under paragraph 6 as to whether a cross subsidy is unjustified, shall be determined by the Authority.”

“9. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that for the purposes of this condition shall also include LNG storage arrangements.”

“10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and the Authority’s view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 9, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.”; and

- (b) the addition of the words “subject to any amendments made by paragraph 9 hereof,” at the beginning of the definition of “transportation arrangements “ in paragraph 11.

3. **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) the insertion of the following definition at paragraph 11 after “In this condition:”

“transportation business” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation but for the purposes of this conditions shall also include the LNG Storage Business.

- (b) the insertion of the following paragraph 12:

“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 the definition of “transportation business” from paragraph 11, then the definition shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the definition of “transportation business” in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition save that the reference to this condition in the definition of “transportation business” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.”

4. **Amendments to Standard Special Condition A6 (Conduct of Transportation Business)**

Standard Special Condition A6 (Conduct of Transportation Business) shall be amended by

- a) the insertion of the words “LNG storage arrangements,” at the start of paragraph 2(a); and
- b) the deletion of the words “NOT USED” and the insertion of the following at paragraph 3:

“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 the reference to LNG storage arrangements in paragraph 2(a) then the reference shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the definition of “transportation business” contained in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition subject to any amendments made by the remaining sections of paragraph 2.”

5. **Amendments to Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with the Uniform Network Code and the Network Code)**

Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with the Uniform Network Code and the Network Code) shall be amended by the deletion of the words “NOT USED” and the insertion of the following at paragraphs 2 and 3:

“2. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A3 (Definition and Interpretation) save that for the purposes of this condition it shall also include 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; the definition of “transportation arrangements” contained in Standard Special Condition A3 shall apply to this condition; and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and interpretation) shall cease to have effect”.

6. **Amendments to Standard Special Condition A11 (Network Code and the Uniform Network Code)**

Standard Special Condition A11 (Network Code and Uniform Network Code) shall be amended by the deletion of the words “NOT USED” and the insertion of the following at paragraphs 20 and 21:

“20. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that for the purposes of this condition it shall also include LNG storage arrangements.”

“21. 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 20 then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition; and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect”.

7. Amendments to Standard Special Condition A27 (Disposal of Assets)

Standard Special Condition A27 (Disposal of Assets) shall be amended by:

(a) inserting the words “any LNG storage asset and/or” after the word “means” in the definition of transportation asset in paragraph 6;

(b) inserting the following definition of LNG storage asset in paragraph 6

““LNG storage asset”	means any of the LNG storage facilities or anything used by the licensee in connection with the provision of such facilities;” and
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(c) inserting the following new paragraph 7,

“7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the definition of “LNG storage asset” from paragraph 6 and the words “any LNG storage asset and” where they occur in paragraph 6 of this condition then these omissions shall be made with effect from a date specified in a notice published by the Authority for that purpose.”

8. Amendments to Standard Special Condition A30 (Regulatory Accounts)

Standard Special Condition A30 (Regulatory Accounts) shall be amended by:

- (a) the deletion of the words “NOT USED” and the insertion of the words “the LNG storage business” at sub-paragraph 1 (a) (ii);
- (b) the insertion of the words “the LNG storage business,” after “regulatory accounts for” in paragraph 11; and
- (c) the deletion of the words “NOT USED” and the insertion of the following at paragraph 13:

- “13. 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(a)(ii) and references to “LNG storage business” then these omissions shall be made with effect from the date specified in a notice published by the Authority for that purpose.”

9. Amendments to Standard Special Condition A32 (Definition of permitted purpose)

Standard Special Condition A32 (Definition of permitted purpose) shall be amended by the replacement in sub-paragraph (a) of the definition of “permitted purpose” of the words “the transportation business” with the words “the transportation and LNG storage business”

10. Amendments to Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business)

Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) shall be amended, at paragraph 1, by the insertion of the words “LNG storage business and” between the words “transportation business includes the licensee’s” and “metering business other than its meter-related services business”.

11. Amendments to Standard Special Condition A37 (Availability of Resources)

Standard Special Condition A37 (Availability of Resources) shall be amended by the following:

- (a) in paragraph 1(a) by the deletion of the words “transportation business” and the insertion of the words “transportation and LNG storage business”; and
- (b) by the addition of the following new paragraph as paragraph 9:

- “9. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG

storage facilities and its view on that question, considers it appropriate that this condition should be construed as if the definition of “the transportation and LNG storage business” made no reference to the “LNG storage business” then for the purpose of this condition, with effect from the date specified in a notice published by the Authority for that purpose, the definition of “the transportation and LNG storage business” shall be so construed and shall be treated as being the “transportation business” only.”

12. Amendments to Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter)

Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) shall be amended, at paragraph 3, by the replacement of the words “transportation business” where they appear after the words “for the purposes of its” with the words “transportation and LNG storage business”.

Special Condition C1A. NTS definition of supply of transportation services and balancing management

Definition of balancing management

1. In this Part C: Special Conditions applicable to the licensee (NTS),

“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 network code);
- (ii) the licensee's functions as Top-up Manager (having the meaning given to that term in the 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 network code).

Amendments to Standard Special Condition A3 (Definitions and Interpretation)

2. the definition of “supply of transportation services” in Standard Special Condition A3 (Definitions and Interpretation) shall be amended by the deletion of the words at sub-paragraph (c) (i); and the insertion of the following:

“(i) facilitating balancing management; and”

Special Condition C2. Long Term Development Statement

1. The licensee shall comply with a direction given by the Authority to prepare an annual statement, in such form and at such a time 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 pipe-lines to which this licence relates, of any such facilities as are mentioned in paragraph 6 and of any other pipe-line system directed by the Authority; and
 - (b) the likely developments of that system, those facilities and those other pipe-line systems 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 pipe-line system to which this licence relates or another gas transporter's pipe-line system;
 - (ii) entering into transportation arrangements with the licensee; or
 - (iii) seeking the connection of the pipe-line system to which this licence relates or another gas transporter'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 use its reasonable endeavours to prepare a revision of any statement prepared under paragraph 1 so as to ensure that the information in the statement is up to date.
3. The licensee shall, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 4 below -

- (a) furnish the Authority with a copy of **each** 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 **each** 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 **each** 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” **has the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall also** include 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 **s**storage **f**acilities 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 relating thereto published by the Authority for that purpose and the reference to **this condition** in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.

Special Condition C3. 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 Special Conditions A4 (Charging - General) and A5 (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 requestthe 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.

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Special Condition C4. 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, **and/or any other business held by Transco plc or its affiliates or related undertakings under a separate licence**, 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 **condition** shall not apply to the purchase, entering into or acquisition by the licensee or any affiliate or related undertaking **and/or any other business held by Transco plc or its affiliates or related undertakings under a separate licence**, 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 **condition**:

“balancing trade”

means an eligible balancing action (having the meaning given to that term in the **network code**;

“transportation commodities”

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

Special Condition C5. Licensee's procurement and use of system management services

1. The licensee shall operate the pipe-line system to which its licence relates in an efficient, economic and co-ordinated manner.
2. The licensee shall ensure that it and its affiliates (and/or any other business held by Transco plc or its affiliates or related undertakings under a separate licence) 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 (consistent with the licensee's duties under paragraph 1 and 2 of this condition and consistent with its other duties under the Act, and the standard, Standard Special 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 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 condition (other than the first one) is due to be published pursuant to paragraph 11(a) of this 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 condition and consistent with its other duties under the Act, and the standard,

Standard Special 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 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 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 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 **gas** 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 **c**ondition 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 **c**ondition 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 **c**ondition; or
- (iii) if within the period referred to in sub-paragraph 6(d)(ii) of this **c**ondition 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 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 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 condition in consultation with gas 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 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, Standard Special Conditions and Special Conditions; and
 - (iii) any written representations or objections from gas 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 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 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 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 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 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 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 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 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 condition:

“balancing trade”

means an eligible balancing action (having the meaning given to that term in the network code);

“relevant system management services”

means system management services other than:

- (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 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.

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Special Condition C6. Independent Market for balancing

1. Standard Special Condition A11 (Network Code and Uniform Network Code) shall be amended by the insertion of the following paragraphs after paragraph 22:

“22A. Where the network code makes provision for the energy balancing by the licensee, as the energy balancing gas transporter, of the total system through a market established by the operator of the independent market for balancing (as such terms are defined in Standard Special Condition A16 (Independence of the Independent Market for Balancing)) then the following paragraphs 22B, 22C and 22D shall apply.”

“22B. The licensee shall, in appointing any such operator as is mentioned in paragraph 22A, 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.”

“22C. The requirement in paragraph 22B shall be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:

- (a) a person recognised by the Financial Services Authority under the Financial Services and Markets Act 2000 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.”

“22D. If a person appointed by the licensee in reliance on paragraph 22C 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 22B.”

Special Condition C7. Charging obligations

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 C8A. Revenue Restriction Definitions in respect of the NTS transportation owner activity and NTS system operation activity

To be discussed next week

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Special Condition C8B. Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity

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Special Condition C9. Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity

To be discussed next week

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Special Condition C10. Supplementary provisions of the revenue restrictions in respect of the NTS transportation owner activity and NTS system operation activity

To be discussed next week

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Special Condition C11. Not Used

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Special Condition C12: 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 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_1^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	£340.00 $\times (1 + RPI_0)$

points, per supply meter point per annum

- 4 Carrying out the work to replace a £46.00
domestic credit meter with a prepayment $\times (1 + RPI_0)$
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_0 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_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 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_t^A shall be determined using the following formulae:

(i) For Activity 1 and 2 the value of M_t^A 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:

$$R_t = £1.10 + (£1.10 \times RPIr_t) \text{ (rounded up or down to the nearest penny)}$$

- (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.

- (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 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 Transco plc's Network Code having effect as such on 1 April 2002 as defined within Amended Standard Condition 9 (Network

Code) of Transco plc's gas transporter licence on that date.

“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 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 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 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 Standard Special Condition A43 (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 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 Standard Special Condition A43 (Provision of Metering and Meter Reading Services),

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 shipper 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 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 condition and notice is given to the Authority by the licensee in accordance with either paragraph 5(6) or paragraph 5(7) of this 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 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 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 condition may be served in respect of a specified geographic area.

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Special Condition C13. Not Used

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Special Condition C14: Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity and the NTS system operation activity

To be discussed next week

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Special Condition C15. Licensee's methodology for determining incremental entry capacity volumes

To be discussed next week

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Special Condition C16. NTS performance reporting

To be discussed next week

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Special Condition C17. 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 **Distribution Network** 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 **sub-paragraph** (i) above in the previous formula year.
3. **The terms “NTS TO activity”, “NTS SO activity”, “Distribution Network transportation activity” and “Distribution Network” shall have the meaning given in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity).**

Special Condition C18. Not Used

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Special Condition C19. Undertaking from ultimate controller concerning non-discrimination between the NTS transportation activity and the Distribution Network transportation activity.

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 the ultimate controller (the “covenantor”) will instruct and direct the licensee to conduct its transportation business in respect of the NTS in a manner such that the businesses of DN operators, the licences for which are held by the holder of this licence in the same legal entity, do not obtain any unfair commercial advantage (including any such advantage from a preferential or discriminatory arrangement) in particular through the licensee entering into arrangements which, if the businesses of such DN operators were not held within same company, would be contractual arrangements on terms which do not materially/unduly differ from corresponding contractual arrangements entered into between the licensee and any other relevant gas transporter.
2. In this condition, “relevant gas transporter” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall exclude Transco plc both in its capacity as the licensee and a DN operator.

Special Condition C20. Separation of NTS and Distribution Network Businesses

1. The licensee, in carrying out its gas transportation business in respect of the NTS, shall put in place and at all times maintain such managerial and operational systems which are necessary to ensure that the licensee complies with the obligations contained in Standard Special Condition A6 (Conduct of the Transportation Business).
2. Unless otherwise directed by the Authority, the licensee shall by no later 1 May 2005 have in place a statement (“**the statement**”), approved by the Authority, describing the practices, procedures and systems which the licensee has adopted (or intends to adopt) to secure compliance with paragraph 1.
3. Where the Authority does not indicate otherwise within 60 days of receipt of the statement, the statement shall be deemed to be approved by the Authority.
4. The statement shall in particular (but without prejudice to the generality of paragraph 1) set out how the licensee shall:
 - (a) maintain appropriate managerial and operational independence of the transportation business in respect of the NTS from any associated gas transporter business;
 - (b) secure that no breach of the requirements of paragraph 1 shall occur as a result of any arrangements for access by any associated gas transporter business or by any person engaged in, or in respect of, the associated gas transporter business with respect to:
 - (i) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the transportation business in respect of the NTS;
 - (ii) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the transportation business in respect of the NTS;
 - (iii) equipment, facilities or property employed for the management or operation of the transportation business in respect of the NTS; or

- (iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the transportation business in respect of the NTS; and
 - (c) manage the transfer of employees from the transportation business in respect of the NTS to any associated gas transporter business.
- 5. The managerial and operational independence referred to in paragraph 4(a) above shall include the establishment of separate managerial boards for each of
 - (a) the transportation business in respect of the NTS; and
 - (b) the associated gas transporter businesses, taken as a whole, as defined in this condition.

Such managerial boards shall be bodies consisting of at least two or more members, two of which shall be directors of Transco plc. These managerial boards shall be responsible for directing the affairs and taking all substantial decisions relating to the business in respect of which they have been established. Each member of such managerial boards who is also a director of Transco plc shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the managerial board he or she is a member of has been established.
- 6. The licensee shall revise the statement prepared in accordance with paragraph 2 when circumstances change so that the statement prepared in accordance with paragraph 2 no longer secures compliance with paragraph 1. Such revision of the statement shall only become effective once the Authority has approved the revised statement in accordance with paragraphs 2 or 3.
- 7. The licensee shall use all best endeavours to ensure compliance with the terms of the statement as from time to time revised and approved by the Authority.
- 8. The licensee shall publish a copy of the approved statement prepared in accordance with paragraph 2 (or the latest approved revision) on its company's website within five working days of its approval by the Authority.
- 9. In this condition "associated gas transporter business" means an affiliate, related undertaking, or business unit of the licensee which is a DN operator.

Special Condition C21. Appointment and duties of the business separation compliance officer

1. The licensee shall ensure, following consultation with the Authority that a competent person (who shall be known as the “business separation compliance officer”) shall be appointed for the purpose of facilitating compliance by the licensee with Special Condition C20 (Separation of NTS and Distribution Network Businesses), Special Condition C19 (Undertaking from ultimate controller concerning non-discrimination between the NTS transportation activity and the Distribution Network transportation activity) and Standard Special Condition A35 (Prohibition of Cross Subsidies)(together, the “relevant duties”). The business separation compliance officer may be the same person as is appointed as compliance officer under Standard Special Condition A34 (Appointment of Compliance Officer).
2. The licensee shall at all times ensure that the business separation compliance officer is engaged for the performance of such duties and tasks as are appropriate for the purpose specified in paragraph 1, which duties and tasks shall include those set out at paragraph 6.
3. The licensee shall establish a compliance committee (being a sub-committee of the board of directors of the licensee) for the purpose of overseeing and ensuring the performance of the duties and tasks of the business separation compliance officer set out in paragraph 2 and the compliance of the licensee with its duties under Special Condition C20 (Separation of NTS and Distribution Network Businesses). Such compliance committee shall report to the audit committee of the ultimate controller of the licensee and shall include among its members such person in the licensee’s business as is responsible for the management of regulatory issues relating to the licensee.
4. The licensee shall procure that the business separation compliance officer:
 - (a) is provided with such staff, premises, equipment, facilities and other resources; and
 - (b) has such access to the licensee’s premises, systems, information and documentation

as, in each case, he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.

5. The licensee shall make available to the business separation compliance officer a copy of any complaint or representation received by it from any person in respect of a matter arising under or by virtue of Special Condition C20 (Separation of NTS and Distribution Network Businesses).

6. The duties and tasks assigned to the compliance officer shall include:

- (a) providing advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 3 of this condition for the purpose of ensuring the licensee's compliance with the relevant duties;
- (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to at paragraph 2 of Special Condition C20 (Separation of NTS and Distribution Network Businesses);
- (c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to admit the required co-operation;
- (d) investigating any complaint or representation made available to him in accordance with paragraph 5;
- (e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
- (f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 3 of this condition, for the purpose of ensuring its implementation of:
 - (i) the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 2 of Special Condition C20 (Separation of NTS and Distribution Network Businesses); and
 - (ii) any remedial action recommended in accordance with sub-paragraph (e);

- (g) reporting to the compliance committee any instances which come to his attention of a member of either of the management boards established under paragraph 5 of Special Condition C20 (Separation of NTS and Distribution Network Businesses) taking into account the interests of a business other than that in respect of which the managerial board of which he is a member of has been established. All such reports shall be copied to the members of the licensee's audit committee; and
 - (h) reporting annually to the compliance committee established under paragraph 3 of this condition, in respect of each year after this condition comes into force, as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.
- 7. As soon as is reasonably practicable following each annual report of the business separation compliance officer, the licensee shall produce a report:
 - (a) as to its compliance during the relevant year with the relevant duties; and
 - (b) as to its implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 2 of Special Condition C20 (Separation of NTS and Distribution Network Businesses).
- 8. The report produced in accordance with paragraph 7 shall in particular:
 - (a) detail the activities of the business separation compliance officer during the relevant year;
 - (b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the statement at paragraph 2 of Special Condition C20 (Separation of NTS and Distribution Network Businesses); and
 - (c) set out the details of any investigations conducted by the business separation compliance officer, including:
 - (i) the number, type and source of the complaints or representations on which such were based;
 - (ii) the outcome of such investigations; and
 - (iii) any remedial action taken by the licensee following such investigations.

9. The licensee shall submit to the Authority a copy of the report produced in accordance with paragraph 7 of this condition, and shall publish the report on its website.

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Schedule A: NTS Output Measures for the Price Control

1. With regard to the maximum revenue allowances provide to the licensee pursuant to Part 1 a and Part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity), the following baseline output measures shall apply.

Table A1: NTS TO baseline entry capacity (GWh/day)

Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
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
Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
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
Firm exit capacity by LDZs					
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
Total firm baseline NTS exit capacity	6121	6241	6374	6497	6588

Table A4: NTS baseline interruptible exit capacity (GWh/day)

	2002/3	2003/4	2004/5	2005/6	2006/7
Interruptible exit capacity by LDZs					
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
Total interruptible NTS baseline exit capacity	1594	1689	1718	1742	1767

STANDARD SPECIAL CONDITIONS APPLICABLE TO ALL DN LICENSEES:

PART D

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Standard Special Condition D1. Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees.

1. With the exception of,

- (i) paragraphs 1 to 4 inclusive of this condition;
- (ii) any new condition introduced into this Part D: Standard Special Conditions applicable to all DN licensees proposed by the Authority under Standard Special Condition D2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to DN licensees) following the introduction of this condition; and
- (iii) any new condition introduced into this Part D: Standard Special Conditions applicable to all DN licensees proposed by the Authority following the introduction of this condition by way of a direction under the Act,

until the Authority has issued a direction to the licensee pursuant to paragraph 2 of this condition, the Standard Special Conditions applicable to DN licensees, shall not have effect in this licence; and the licensee

- (a) shall not be obliged to comply with any of the requirements of the Standard Special Conditions applicable to all DN licensees contained in this licence; and
- (b) shall be obliged to comply with the requirements of the standard conditions contained in Sections A (Interpretation, Application and Payments) and B (General) of this licence.

2. (a) Subject to paragraph 4 of this condition, the Authority may, with the consent of the licensee and subject to paragraph 3 of this condition, issue a direction (a “Standard Special Conditions Part D direction”).

(b) A direction issued by the Authority under paragraph 2(a) above may specify which:-

- (i) Standard Special Conditions applicable to DN licensees are to have effect in this licence, either in whole or in part;
- (ii) Standard Special Conditions applicable to DN licensees are not to have effect in this licence, either in whole or in part;
- (iii) standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) shall not have effect in this licence, either in whole or in part; and/or
- (iv) standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) shall have effect in this licence, either in whole or in part

from the date specified in the direction.

3. For the avoidance of doubt, the power to make a direction under paragraph 2 of this condition permits the Authority to apply or disapply, in whole or in part (as the case may be):-

- (a) this Part D: Standard Special Conditions applicable to all DN licensees as a whole with the exception of paragraphs 1 to 4 inclusive of this condition;
- (b) any individual condition or conditions in this Part D: Standard Special Conditions applicable to all DN licensees with the exception of paragraphs 1 to 4 inclusive of this condition;
- (c) a designated Section of standard conditions in Section A (Interpretation, Application and Payments) and/or Section B (General) as a whole; and/or
- (d) any individual standard condition or conditions in Section A (Interpretation, Application and Payments) and/or Section B (General).

4. For the avoidance of doubt, notwithstanding references in this condition to the consent of the licensee being required to issue or vary a Standard Special Conditions Part D direction, where a Standard Special Condition is (i) modified, or (ii) a new Standard Special Condition is introduced in accordance with Standard Special Condition D2 (Private Collective Modification Procedure in Respect of Standard Special Conditions applicable to DN licensees) the consent of a licensee to introduce such condition or variation shall not be required where the criteria for introduction or modification set out in Standard Special Condition D2 (Private Collective Modification Procedure in Respect of Standard Special Conditions applicable to DN licensees) have been met and the Authority shall be able to introduce such a condition or modification without consent of the licensee and issue any consequential variation to the licence as required.
5. Where the Authority has issued a Standard Special Conditions Part D direction to the licensee in accordance with paragraph 2,
- (a) the conditions in this Part D: Standard Special Conditions applicable to all DN licensees (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 the Standard Special Conditions applicable to NTS licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction;
 - (b) the conditions in this Part D: Standard Special Conditions applicable to all DN licensees (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of the Standard Special Conditions applicable to NTS licensees (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction;
 - (c) the standard conditions in Sections A (Interpretation, Application and Payments) and/or B (General) (in whole or, as the case may be, in part) shall not have effect within this licence from the date specified in the direction; and

the licensee shall **not** be obliged to comply with the requirements of the standard conditions (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction; and/or

- (d) the standard conditions in Sections A **(Interpretation, Application and Payments)** and/or B **(General)** (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 the standard conditions (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
6. **Subject to paragraph 4 of this condition, the Authority may, with the consent of the licensee, issue a further Standard Special Conditions Part D direction in accordance with paragraph 2 to:**
- (a) vary the terms (as set out in the Standard Special Conditions **Part D** direction **or elsewhere**) under which the Standard Special Conditions applicable to NTS licensees **(or parts thereof)** and/or the standard conditions set out in Section A **(Interpretation, Application and Payments)** and/or Section B **(General)** (or parts thereof) have effect **or cease to have effect** in this licence; or
 - (b) provide for the Standard Special Conditions applicable to NTS licensees (or parts thereof) to cease to have effect **or to have effect** in this licence and/or the standard conditions set out in Section A **(Interpretation, Application and Payments)** and/or Section B **(General)** (or parts thereof) to have effect **or 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 under that paragraph of this condition.
8. **With effect from the date contained in the notice issued under paragraph 7 of this condition, paragraphs 5 to 7 of this condition shall, to the extent appropriate, 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.

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Standard Special Condition D2. Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to DN licensees

1. For the purposes of this condition, the following words shall have the meaning set out below:

“modifications”

includes additions, alterations, and omissions and cognate expressions shall be construed accordingly;

“private collective licence modification procedure”

means the procedure set out in this condition and the corresponding provisions of other relevant gas transporter licences for modifying collectively only the Standard Special Conditions in Part D: Standard Special Conditions applicable to all DN licensees which are effective in this licence and other relevant gas transporter licences (pursuant to a Standard Special Conditions Part D direction under Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees));

“relevant gas transporter licence”

means in relation to this condition only a licence granted under section 7 of the Act which contains Standard Special Conditions applicable to DN licensees;

“relevant licence holder”

in relation to proposed modifications under this condition means the holder of a relevant gas transporter licence which:

(a) is to be modified under the proposals by the inclusion of any new condition in Part D: Standard Special Conditions applicable to all DN licensees only pursuant to the private collective licence modification procedure; or

(b) includes any condition in Part D: Standard Special Conditions applicable to all DN licensees only to which the proposals relate, other than conditions in Part D: Standard Special Conditions applicable to all DN licensees which are not in effect (by virtue of any direction issued pursuant to Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees) at the time specified in the relevant notice under paragraph 4(a) of this condition,

and for the avoidance of doubt, the holder of a relevant gas transporter licence the conditions of which are not to be modified or into which new

conditions are not to be inserted pursuant to the private collective licence modification procedure under the proposals contained in a particular relevant notice shall not, for the purposes of such modifications to existing conditions or new conditions contained in that relevant notice, be a relevant licence holder;

“relevant notice”

means a notice given by the Authority pursuant to paragraph 4(a) of this condition which contains the Authority’s proposals for the modification of conditions contained in, or inclusion of new conditions into Part D: Standard Special Conditions applicable to all DN licensees which either are, or are to be, effective in relevant gas transporter licences only;

“relevant time”

means 06.00 hours on the day which is thirty (30) days prior to the day on which the Authority gives relevant notice;

“statutory CLM procedure”

means the collective licence modification procedure set out in section 23 of the Act for standard conditions of licences under section 7 of the Act;

“weighted according to market share”

Means, in the case of relevant licence holders who have given notice of objection, multiplied by a factor which is equal to the total quantity of gas conveyed to the premises of consumers by those relevant licence holders during the twelve month period ending at the relevant time divided by the total quantity of gas

conveyed to the premises of consumers during the twelve month period ending at the relevant time by **all** relevant licence holders, as calculated by the Authority on the basis of information available to it.

2. The purpose of this condition is to set out (pursuant to section 7B(7)(b) of the Act) a procedure under which Standard Special Conditions **in Part D: Standard Special Conditions** applicable to all DN licensees **effective in** this licence and other relevant gas transporter licences only may be collectively modified **or new conditions inserted into such Part D.**
3. Without prejudice to any other method of modification set out in the Act, Standard Special Conditions **in Part D: Standard Special Conditions** applicable to all DN licensees **effective in** this licence and other relevant gas transporter licences) may be modified **or new conditions inserted into such Part D** pursuant to **the** private collective licence modification procedure.
4. Standard Special Conditions **in Part D: Standard Special Conditions** applicable to all DN licensees **effective in** this licence and other relevant gas transporter licences may be modified **or new conditions inserted into such Part D** in the following manner:
 - (a) before making modifications under this condition, the Authority shall give notice (a “relevant notice”):
 - (iv) stating that it proposes to make the modifications and setting out their effect;
 - (v) stating the reasons why it proposes to make the modifications; and
 - (vi) specifying the time (not being less than 28 days from the date of publication of the relevant notice) within which representations **concerning** or objections to the proposed modifications may be made, and the **Authority** shall consider any representations or objections which are duly made and not withdrawn.
 - (b) A relevant notice under paragraph **4**(a) above shall be given:

- (iii) by publishing the relevant notice in such manner as the Authority considers appropriate for the purpose of bringing the relevant notice to the attention of persons likely to be affected by the making of the modifications; and
 - (iv) by sending a copy of the relevant notice to the relevant licence holders, to the Secretary of State, to the Health and Safety Executive and to the Consumer Council.
- (e) If, within the time specified in the relevant notice under paragraph 4(a) above, the Secretary of State directs the Authority not to make any modification, the Authority shall comply with the direction.
- (f) The Authority may not make any modifications to any Standard Special Conditions in Part D: Standard Special Conditions applicable to all DN licensees effective in this licence or insert any new conditions in this Part D or any corresponding Part D of any other relevant gas transporter licence pursuant to this condition or any corresponding condition effective in such other relevant gas transporter licence, unless:
 - (i) no notice of objection to those modifications set out in the relevant notice is given to the Authority within the time specified in the relevant notice under paragraph 4(a) above by any relevant licence holder;
 - (ii) if one or more relevant licence holders gives notice of objection to the Authority within that time:
 - (aa) the proportion (expressed as a percentage) of the relevant licence holders who have given notice of objection is less than twenty (20) per cent of all relevant licence holders; and
 - (bb) the proportion (expressed as a percentage) of the relevant licence holders who have given notice of objection, weighted according to their market share, is less than twenty (20) per cent;
 - or
 - (iii) the Authority is of the opinion:

- (aa) that the effect of the Standard Special Conditions **in Part D: Standard Special Conditions** applicable to all DN licensees **effective in** relevant gas transporter licences only is such as to impose a burden affecting relevant licence holders in the carrying on of activities to which the modifications relate; and
 - (bb) that the modifications would remove or reduce the burden without removing any necessary protection.
- 5. Where at any time the Authority modifies under this condition the Standard Special Conditions **in Part D: Standard Special Conditions** applicable to all DN licensees **effective in** this licence **or inserts new conditions into such Part D of this licence** and **makes equivalent changes to the corresponding Part D of** other relevant gas transporter licences) only, it:
 - (a) shall also **include** the same conditions **as so modified** in relevant gas transporter licences granted after that **modification**; and
 - (b) may make such incidental or consequential modifications as it considers necessary or expedient of any conditions of relevant gas transporter licences granted before that time.
- 6. Where at any time the Authority modifies conditions under paragraph **5** of this condition for the purposes of their incorporation in relevant gas transporter licences granted after that time, it shall publish the modifications in such manner as it considers appropriate.
- 7. This condition is intended largely **to** replicate, in relation to the Standard Special Conditions **in Part D: Standard Special Conditions** applicable to all DN licensees **effective in** this licence and other relevant gas transporter licences only, the statutory CLM procedure. Where there is any ambiguity in the application or effect of this condition, the Authority may, except where the contrary intention appears, follow any approach taken in relation to the statutory CLM procedure. Unless the contrary intention appears, any guidance issued by the Authority in relation to the statutory CLM procedure shall apply (with the necessary changes having been made) equally to modifications made pursuant to this condition. The Authority may issue guidance on the procedures that the Authority will follow in proposing and making collective

licence modifications pursuant to the private collective licence modification procedure.

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Standard Special Condition D3. Long Term Development Statement

1. The licensee shall comply with a direction given by the Authority to prepare **an annual statement, in respect of each Distribution Network (as defined in Special Condition E2A)** in such form **and at such a time** 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 pipe-lines to which this licence relates**; 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 **pipe-line system to which this licence relates**;
 - (ii) entering into transportation arrangements with the licensee; or
 - (iii) seeking the connection of the **pipe-line system to which this licence relates** 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 use its reasonable endeavours to** prepare a revision of any statement prepared under paragraph 1 so as to ensure that the information in the statement is up to date.
3. The licensee shall, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 4 below -
 - (a) furnish the Authority with a copy of **each** statement prepared under paragraph 1 and of each revision of the statement prepared under paragraph 2;

- (b) furnish such other gas transporter as the Authority may direct with a copy of **each** statement prepared under paragraph 1 and or each revision of the statement prepared under paragraph 2;
 - (c) in such form and manner as the Authority may direct, publish such a summary of **each** 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 (d); and
 - (d) prepare a version of **each** 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.
1. In complying with the requirements of paragraph 3(c), 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.
2. **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.

Standard Special Condition D4. Prohibited Procurement Activities

1. Except with the written consent of the Authority or in accordance with its functions under the network code, 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, including, for the avoidance of doubt, any other business held by the licensee or its affiliates or related undertakings under a separate licence, as the case may be), purchase, enter into or otherwise acquire capacity rights, 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 condition shall not apply to the purchase, entering into or acquisition by the licensee or any affiliate or related undertaking including, for the avoidance of doubt, any other business held by the licensee or its affiliates or related undertakings under a separate licence, on the account of the licensee of capacity rights, gas or gas derivatives with the intention of selling, assigning or otherwise disposing of such capacity rights, gas or gas derivatives for the purpose of facilitating shrinkage procurement 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.

**“shrinkage
procurement”**

means the balancing of the pipe-line system to which this licence relates through the acquisition or disposal of gas to replace gas lost from the pipe-line system to which this licence relates or from the pipe-line system of a DN operator that is an affiliate in respect of shrinkage (having the meaning given to that term in the network code).

Standard Special Condition D5. Licensee's procurement and use of system management services

1. The licensee shall operate each of the pipe-line systems to which its licence relates in an efficient, economic and co-ordinated manner.
2. The licensee shall ensure that it and its affiliates (and/or any other business held by the licensee or its affiliates or related undertakings under a separate licence) 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 (consistent with the licensee's duties under paragraph 1 and 2 of this condition and consistent with its other duties under the Act, and the standard, Standard Special 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 10(a) in this 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 condition (other than the first one) is due to be published pursuant to paragraph 10(a) of this 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 condition and consistent with its other duties under the Act, and the standard, Standard Special 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 pipe-line system to which this licence relates, 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 pipe-line system to which this licence relates.

6. (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 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 condition.
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 5 of this condition in consultation with gas 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 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, Standard Special Conditions and Special Conditions; and

- (iii) any written representations or objections from **gas** 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 7(b)(ii) of this **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 5 of this **condition**.
9. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 3, 4, 5, 6 and 7 of this **condition** and of all revisions to any such statements and reports.
10. The licensee shall:
- (a) publish by such date (and in such manner) as the Authority may approve the statements prepared pursuant to paragraphs 3 and 5 of this **condition** and each revision thereof; and
 - (b) send a copy of each statement and report prepared pursuant to paragraphs 3, 4, 5, 6, and 7 of this **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 **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 **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 condition.

12. 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; and
- (c) records of all system management services called for and provided.

13. The licensee shall provide to the Authority such information as the Authority shall request concerning the procurement and use of system management services.

14. In this condition:

“relevant system management services” ; means system management services other than those which the Authority directs the licensee not to treat as relevant system management services; and

“system management services” means services in relation to constraint management services and the acquisition or disposal of gas to replace gas lost from the pipe-line system to which this licence relates in respect of shrinkage (having the meaning given to that term in the network code).

Standard Special Condition D6. Provision of First Call Emergency Response to the NTS operator

1. The licensee shall provide the NTS operator with a first call emergency response service in the event of an emergency on the NTS which involves an actual or suspected release of gas.
2. The licensee shall not be required to carry out any work on, or exercise any control over, any part of the NTS under the obligation contained in paragraph 1 unless requested and/or authorised to do so by the NTS operator.
3. The licensee shall make arrangements which shall ensure that the provision by it of a first call emergency response service to the NTS operator is effected by a competent person or persons who have been adequately trained and possess appropriate expertise to provide that service on behalf of the licensee.
4. 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 business.
5. Any dispute over obligations of the licensee pursuant to this condition may be referred to the Authority for determination at the request of the licensee or the NTS operator.

6. In this condition:

“First call emergency response”

means a response by the licensee to attend at the site of an emergency on the NTS which involves an actual or suspected release of gas and to act in a manner best designed to minimize the risk to life and property subject to paragraph 2;

“Distribution Network”

shall bear the same meaning as stated in Special Condition E2A (Revenue restriction

definitions in respect of the Distribution Network).

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Standard Special Condition D7. 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 **Distribution Network** 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 **sub-paragraph** (i) above in the previous formula year.
3. **The terms “NTS TO activity”, “NTS SO activity”, “Distribution Network transportation activity” and “Distribution Network” shall have the meaning given in Special Condition E2A (Revenue restriction definitions in respect of the Distribution Network).**

Standard Special Condition D8. Reform of Distribution Network interruption arrangements

1. The licensee shall use all reasonable endeavours to review and develop proposals for the reform of transportation arrangements insofar as they relate to the interruption of supply points within the licensee's Distribution Network(s) with effect from 1 April 2006, consistent with its licence and statutory objectives.
2. If after 1 April 2006 for whatever reason the licensee is unable to develop proposals for revised transportation arrangements insofar as they relate to the interruption of supply points within the licensee's Distribution Network(s) to have effect from 1 April 2006, the licensee shall use all reasonable endeavours to ensure that such arrangements are achieved as soon as is reasonably practicable thereafter.
3. In this condition "**Distribution Network**" shall have the meaning given in Special Condition E2A (Revenue restriction definitions in respect of the Distribution Network).

Standard Special Condition D9. Distribution Network transportation activity incentive scheme and performance reporting

1. The principal purpose of this condition is to secure the collection of information on a common basis and 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 each of the licensee’s Distribution Networks; and
- (b) to monitor delivery of appropriate outputs from each of the licensee’s Distribution Networks.

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 condition and in accordance with regulatory instructions and guidance (including any associated information specified therein).

3. For the purposes of this condition:

“revenue restriction” means the Distribution Network transportation activity revenue restriction in Special Condition E2B (Restriction of revenue in respect of the Distribution Network transportation activity) Part 1 b;

“charging review date” means any date from which modifications to Special Condition E2B (Restriction of revenue in respect of the Distribution Network transportation activity) Part 1 b relating to each of the licensee’s Distribution Networks 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 B E2B (Restriction of revenue in respect of the Distribution Network transportation activity) Part 1 b (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 E2A (Revenue restriction definitions in respect of the Distribution Network);

“Distribution Network”

has the meaning given in Special Condition E2A (Revenue Restriction Definitions in respect of the Distribution Network);

“Distribution Network peak demand”

has the meaning given in **Standard Special Condition A9 (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 **network code**;

“supply year”

for the purposes of this **c**ondition only, means any continuous period of twelve months commencing **on** 1 October in each year and ending on 30 September in the immediately following year;

“customer satisfaction survey”

means a postal survey comprising only questions relating to the **specified** matters in this **c**ondition which is carried out by an **i**ndependent third party on behalf of the licensee;

“specified matters”

means the questions relating to (a) consumer demographics and (b) customer satisfaction in respect of work undertaken by the licensee on service pipes which is likely to have caused an interruption to their gas supply. The questions

relating to customer satisfaction shall deal with;

- (v) the quality of communications made by the licensee to consumers providing them with information concerning works carried out;
- (vi) the inconvenience caused to consumers by that work; and
- (vii) consumers' perception of the efficiency and professionalism with which the licensee carried out that work;

“independent third party”

means a suitable company with expertise in the conduct of market research and customer surveys appointed by the licensee using terms of reference approved in advance by the Authority;

“regulatory instructions and guidance”

means any instructions and guidance issued by the Authority for the purposes of this condition as modified from time to time by notice under paragraph 10 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 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 each Distribution Network in the form and manner specified in the regulatory instructions and guidance.

- (b) customer satisfaction survey results comprising:
- (i) in respect of consumers who have been affected by work carried out by the licensee on service pipes which is likely to have caused an interruption to their gas supply through planned work, **ten** questions in total concerning the specified matters, in respect of each Distribution Network in the form and manner specified in the regulatory instructions and guidance;
 - (ii) in respect of consumers who have been affected by work carried out by the licensee on service pipes which is likely to have caused an interruption to their gas supply through unplanned work, **eight** questions in total concerning the specified matters, in respect of each Distribution Network in the form and manner specified in the regulatory instructions and guidance; and

In respect of sub-paragraph (b), the licensee shall procure the information via customer satisfaction surveys which will be undertaken **quarterly** in each formula year. The number of consumers surveyed will be sufficient to ensure that a statistically robust sample of responses as defined in the regulatory instructions and guidance is returned by the consumers to the licensee. Any such customer satisfaction surveys will be in the form and conducted in the manner specified in the regulatory instructions and guidance. The method of calculating the results of the customer survey

shall be set out in the regulatory instructions and guidance. The method of selecting the customers surveyed shall be set out in the regulatory instructions and guidance.

(c) information regarding queries from **gas** shippers, comprising:

(i) the percentage of **gas** shipper queries resolved within 10 business days in aggregate and disaggregate form in the form and manner specified in the regulatory instructions and guidance;

(ii) the percentage of **gas** shipper queries resolved within 20 business days in aggregate and disaggregate form in the form and manner specified in the regulatory instructions and guidance; and,

(iii) the mean time taken to resolve outstanding **gas** shipper queries in both aggregate form and disaggregate form in the form and manner specified in the regulatory instructions and guidance.

(d) information regarding the M-number CD-ROM comprising:

(i) an assessment of the reliability of the M-number CD-ROM service 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 the form and manner specified in the regulatory instructions and guidance;
- (e) 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 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 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 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 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 each Distribution Network in the form and manner specified in the regulatory instructions and guidance.

- (f) information regarding **Distribution Network** peak demand measured in aggregate and disaggregate form in respect of each Distribution Network in the form and manner specified in the regulatory instructions and guidance including:

- (i) the estimated 1-in-20 Distribution Network peak demand for the current supply year; and
- (ii) the licensee's forecast 1-in-20 Distribution Network peak demand for the next 10 supply years.

- (g) information regarding environmental performance measures including;

- (i) methane emissions in each formula year measured in estimated tonnes in respect of 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 each Distribution Network in the form and manner specified in the regulatory instructions and guidance.

(h) an analysis of trends observable from the environmental measures.

(i) supporting information including:

(i) information regarding annual demand in respect of each Distribution Network in the form and manner specified in the regulatory instructions and guidance;

(ii) information regarding all new connections from each Distribution Network to premises or to pipeline systems operated by an authorised gas transporter in respect of 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 E2B (Restriction of revenue in respect of the Distribution Network transportation activity) in respect of 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 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 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 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 each Distribution Network in the form and manner specified in the regulatory instructions and guidance; and

such other information as may from time to time be specified by the Authority, by notice to the licensee in accordance with paragraph 10.

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 or from such later date as the Authority may approve in writing;

- (b) the matters specified in sub-paragraph (b) of the definition of specified information from and including 1 April 2005;
- (c) the matters specified in sub-paragraph (c)-(i) of the definition of specified information from and including 1 April 2002 or from such later date as the Authority may approve in writing; and
- (d) any matter specified under sub-paragraph (j) of that definition from the date specified in a notice given in accordance with paragraph 10.

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 2005 and subsequent formula years, at least annually, and in the form and manner specified in the regulatory instructions and guidance;
- (b) in respect of the formula year commencing 1 April 2005 and subsequent formula years, the results of the customer satisfaction surveys referred to in sub-paragraph (b) of the definition of specified information which will have been undertaken in the form and manner specified in the regulatory instructions and guidance, on a quarterly basis three months after the end of each quarter as specified in the regulatory instructions and guidance (or on such other later dates as the Authority may specify by notice in writing);
- (c) the information referred to in sub-paragraphs (c) - (i) of the definition of specified information on 31 July 2003 or from such later date as the Authority may approve in writing 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 (j) 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 publish the information provided to the Authority specified in paragraph 5(b) on its website within one month after the provision of that information to the Authority.
7. 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 **condition** and the regulatory instructions and guidance.
8. 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 7.
9. The licensee’s obligation under paragraph 8 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 **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 condition; and
- (iii) to take onto such premises or onto or into any assets used for the purpose of the licensee's Distribution Networks such other persons and such equipment as may be necessary or expedient for the purpose of carrying out the examination.

10. Where the Authority considers that the regulatory instructions and guidance should be modified to:

- (a) improve the presentation or style of the requirements;
- (b) remove or reduce inconsistencies between distribution services providers in the application or interpretation of the requirements;
- (c) further clarify the meaning of words and phrases used within the requirements to define the information to be provided;
- (d) improve the form or manner in which such information is to be provided under the requirements; or
- (e) enlarge existing categories of specified information

in such ways as the Authority may reasonably require so as to more effectively achieve the purpose of this condition, the Authority may, subject to paragraphs 11 and 12, modify the regulatory instructions and guidance by issuing a direction for that purpose to all licensees.

11. Before issuing a direction under paragraph 10, the Authority, by notice given to all licensees, must:

- a) state that it proposes to make a modification, and set out the date on which it proposes that the amendment should take effect;
- b) set out the effect of the modification and the reasons for proposing the modification; and
- c) specify the time (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made

and consider any representations or objections which have been duly made and are not withdrawn.

12. Where the modifications relate to a requirement in the regulatory instructions and guidance to provide specified information to a greater level of accuracy or the introduction of an additional category of information then the Authority may make such modifications in following a collective modification process as if it were modifying this licence condition under the provisions of section 23 of the Act.

13. Nothing in this 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.

Standard Special Condition D10. Provision of connections information

Will be inserted pending outcome of workshop and full consideration of respondents' views.

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Standard Special Condition D11. 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 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”

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (DN): PART E

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Special Condition E1. Not Used

DRAFT

Special Condition E2A. Revenue Restriction Definitions in respect of the Distribution Network.

To be discussed next week

DRAFT

Special Condition E2B. Restriction of Revenue in respect of the Distribution Network transportation activity

To be discussed next week

DRAFT

Special Condition E3. Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network

To be discussed next week

DRAFT

Special Condition E4. Supplementary provisions of the revenue restrictions in respect of the Distribution Network

To be discussed next week

DRAFT

Special Condition E5: 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 **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_1^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 domestic credit meter with a prepayment meter, per job undertaken	£46.00 $\times (1 + RPI_0)$
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(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_0 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_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 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_t^A shall be determined using the following formulae:

(i) For Activity 1 and 2 the value of M_t^A 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_t^A will be calculated using the following formula:

$$M_t^A = M_{t-1}^A + (M_{t-1}^A \times RPI_t)$$

(4) In respect to the formula year commencing 1 April 2005, the value for R_t shall be calculated using the following formula:

$$R_t = £1.10 + (£1.10 \times RPIr_t) \text{ (rounded up or down to the nearest penny)}$$

(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.

(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 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 Transco plc's Network Code having effect as such on 1 April 2002 as defined within Amended Standard Condition 9 (Network

Code) of Transco plc's gas transporter licence on that date.

“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 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 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 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 Standard Special Condition A43 (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 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 Standard Special Condition A43 (Provision of Metering and Meter Reading Services),

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 shipper 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 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 condition and notice is given to the Authority by the licensee in accordance with either paragraph 5(6) or paragraph 5(7) of this 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 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 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 condition may be served in respect of a specified geographic area.

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Special Condition E6. Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the Distribution Network

To be discussed next week

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Special Condition E7. Not Used

To be discussed next week

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Special Condition E8. Not Used

To be discussed next week

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Special Condition E9. Not Used

To be discussed next week

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Special Condition E10. Separation of NTS and Distribution Network Businesses

1. The licensee shall take all reasonable measures to ensure compliance with the terms of the statement prepared in accordance with paragraph 2 of Special Condition C20 (Separation of NTS and Distribution Network Businesses) of the licence which the holder of this licence holds, in the same legal entity, in respect of its operation of the NTS as from time to time revised and approved by the Authority. In particular, the licensee shall ensure that no associated gas transporter business solicits any action from the NTS operator which would constitute a breach of Standard Special Condition A6 (Conduct of the Transportation Business). To the extent required, the statement shall be construed appropriately in respect of the licensee's role as a DN operator.
2. The managerial and operational independence of the associated gas transporter business from any NTS operator which is required to be demonstrated by the statement referred to in paragraph 1 above shall include the establishment of separate managerial boards for each of:
 - (a) the associated gas transporter businesses, taken as a whole, as defined in this condition; and
 - (b) the transportation business in respect of the NTS.

Such managerial boards shall be bodies consisting of at least two or more members, two of which shall be directors of Transco plc. These managerial boards shall be responsible for directing the affairs and taking all substantial decisions relating to the business in respect of which they have been established. Each member of those managerial boards who is also a director of Transco plc shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the managerial board he or she is a member of has been established.
3. The licensee shall appoint a business separation compliance officer for the purposes of facilitating compliance with this condition on the same terms and with the same duties as the holder of this licence shall appoint a compliance officer in respect of Special Condition C21 (Appointment and duties of the business separation compliance officer) of any licence held with respect to an NTS operator.

4. The licensee shall establish a compliance committee (being a sub-committee of the board of directors of the licensee) for the purpose of overseeing and ensuring the performance of the duties and tasks of the compliance officer set out in paragraph 2 and the compliance of the licensee with its duties under paragraph 1. The compliance committee shall have the same duties in respect of this licence as the compliance committee established in respect of the NTS (as set out in Special Condition C21 (Appointment and duties of the business separation compliance officer) of the licence which the holder of this licence holds in respect of its operation of the NTS). Such compliance committee shall include among its members such person in the licensee's business as is responsible for the management of regulatory issues relating to the licensee.
5. In this condition "associated gas transporter business" means an affiliate, related undertaking, or business unit of the licensee which is a DN operator.

Schedule 1: Specified Area

Great Britain

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Schedule 2: Revocation Of Licence

[SCHEDULE 2 WILL FOLLOW THE DRAFTING OF THE INDIVIDUAL LICENCE BEING MODIFIED. IT IS NOT PROPOSED TO AMEND THIS SCHEDULE AS PART OF THE S8AA MODIFICATION PROCESS.]

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Schedule 3: Transportation Services Area

Great Britain

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