

Special Condition 28A: Revenue restriction definitions in respect of the Distribution Network

1. In this Special Condition:

appropriate auditors	means any auditors for the time being holding office in accordance with the requirements of the Companies Act 1985;
Audit	means an investigation by appropriate auditors, the scope and objectives of which shall be set by the licensee and approved by the Authority;
commercial user quantity	means the aggregate quantity of gas in kilowatt hours, taken off the Distribution Network in respect of the formula year by persons other than the licensee supplied with at least 5,860,000 kilowatt hours of gas but less than 1,465,355,000 kilowatt hours of gas in the formula year;
connected system exit point	has the meaning given to that term in Transco plc's Network Code;
curtailment day	means any day in formula year t in respect of which rights to off-take gas at a given supply point, connected system exit point or storage connection point have been curtailed by the licensee;
Day	has the meaning given to that term in Transco plc's Network Code;
Distribution Network	Means the relevant gas distribution network defined with reference to its constituent Local Distribution Zones (LDZs) as set out in the table below:

Distribution Network	Local Distribution Zone (LDZ)
South of England	South East, Southern

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

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

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

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

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

exit capacity constraint management services means the undertaking of engagements by Transco plc relating to the management of rights to off-take gas from the NTS including those relating to NExAs;

exit capacity curtailment rights means rights held by the licensee to curtail rights to off-take gas from the transportation system, other than rights conferred on the licensee solely for the purpose of taking

	emergency steps or force majeure (having the meanings given to those terms in Transco plc's Network Code);
firm entry capacity	means that entry capacity other than interruptible entry capacity;
formula year	means a period of twelve months commencing on 1 April at 06:00 hours, the first such formula year (t=1) commencing 1 April 2004 at 06:00 hours;
gigawatt hour or GWh	means one million kilowatt hours;
incremental entry capacity	means obligated incremental entry capacity and non-obligated incremental entry capacity;
incremental entry capacity services	means the undertaking of engagements by Transco plc relating to the provision of entry capacity other than NTS SO baseline entry capacity;
incremental exit capacity services	means the undertaking of engagements by Transco plc relating to the provision of NTS incremental exit capacity;
initial NTS SO baseline entry capacity	means in respect of each terminal and period the NTS SO baseline entry capacity specified in table A2 of schedule A within Transco plc's NTS GT licence;
interruptible entry capacity	has the meaning given to the term interruptible system entry capacity in Transco plc's Network Code;
kilowatt hour or kWh	means 3,600,000 Joules;
large user quantity	means the sum of the commercial user quantity and the small interruptible user quantity;
LDZ capacity	has the meaning given to that term in Transco plc's Network Code;
LDZ capacity	means exit capacity curtailment rights held by the

curtailment rights	licensee in respect of LDZ capacity;
LDZ network or LDZs	means the aggregate of the local distribution zones (having the meaning given to that term in Transco plc's Network Code) comprised within the relevant Distribution Network;
LDZ shrinkage	means the sum of LDZ own use gas and LDZ unaccounted for gas (both having the meanings given to those terms in Transco plc's Network Code);
NExA	means a network exit agreement (having the meaning given to that term in Transco plc's Network Code);
non-obligated incremental entry capacity	means firm entry capacity other than obligated entry capacity;
NTS	means the National Transmission System (having the meaning given to that term in Transco plc's Network Code);
NTS baseline firm exit capacity	means in respect of each period the NTS firm exit capacity specified in table A3 of schedule A within Transco plc's NTS GT licence;
NTS baseline interruptible exit capacity	means in respect of each period the NTS interruptible exit capacity specified in table A4 of schedule A within Transco plc's NTS GT licence;
NTS exit capacity	shall have the meaning given to that term in Transco plc's Network Code;
NTS incremental exit capacity	means that NTS exit capacity in excess of NTS baseline firm exit capacity and NTS baseline interruptible exit capacity;
NTS shrinkage	means the sum of NTS own use gas and NTS

	unaccounted for gas (both having the meanings given to those terms in Transco plc's Network Code);
NTS SO baseline entry capacity	means in respect of each terminal and period that terminal's initial NTS SO baseline entry capacity and that terminal's permanent obligated incremental capacity for which the first day to which such capacity relates has occurred five or more years previously;
NTS system operation activity or NTS SO activity	means engagements undertaken by Transco plc pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS TO activity for the delivery of incremental entry capacity and NTS incremental exit capacity, including: <ul style="list-style-type: none"> (i) incremental entry capacity services; (ii) incremental exit capacity services; (iii) residual gas balancing services; (iv) system balancing services, which include services pursuant to paragraphs 5 and 6 of standard condition 7 (Provision of Information Relating to Gas Illegally Taken); (v) entry capacity constraint management services; (vi) exit capacity constraint management services; and (vii) the provision of services in relation to gas quality;
NTS transportation owner activity or NTS TO activity	means the activities of Transco plc connected with the development, administration and maintenance of the

	NTS and with the supply of NTS services;
obligated entry capacity	means obligated incremental entry capacity and NTS SO baseline entry capacity;
obligated incremental entry capacity	means that firm entry capacity in excess of NTS SO baseline entry capacity which Transco plc is required to offer for sale in accordance with paragraph 14(5)(b) of Part 2 of Special Condition 28B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity) within Transco plc's NTS GT licence;
permanent obligated incremental entry capacity	means any obligated incremental entry capacity in respect of a given terminal, which the licensee is required to offer for sale for a period of five years or more;
residual gas balancing services	means the undertaking of engagements by Transco plc relating to the acquisition or disposal of gas to ensure the safe and efficient operation of the transportation system;
shipper	means any gas shipper, or person benefiting from an exemption under section 6A of the Act from the prohibition under section 5(1)(c) of the Act, who has arranged with the licensee for gas to be introduced into, conveyed by means of, or taken out of the transportation system;
short-term NTS SO baseline entry capacity	means initial NTS SO baseline entry capacity other than long term NTS SO baseline entry capacity;
small interruptible user quantity	means the aggregate quantity of gas in kilowatt hours, taken off the Distribution Network in respect of formula year t by persons who are supplied through a supply point that is interruptible (in accordance with Transco

plc's Network Code) and who are supplied with less than 5,860,000 kilowatt hours of gas in that formula year;

small user quantity means the Distribution Network transportation quantity less the sum of the very large user quantity and large user quantity;

specified rate means the base rate of Barclays Bank plc current from time to time during the period in respect of which the calculation falls to be made;

subscriber means the relevant formula year;

supply of Distribution Network services means the undertaking and performance for gain or reward of engagements:

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

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

(c) not for the acquisition or disposal of gas otherwise than for the efficient operation of the Distribution Network or for replacing gas lost from the system;

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

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

(b) for the prevention of the escape of gas, which has

been taken off the NTS, other than to the Distribution Network or any pipeline system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the Distribution Network;

supply point	has the meaning given to that term in Transco plc's Network Code;
system balancing services	means the undertaking of engagements by Transco plc in relation to: <ul style="list-style-type: none">(i) the acquisition or disposal of gas to replace gas lost from the system in respect of NTS shrinkage;(ii) its functions as Top-up Manager (having the meaning given to that term in Transco plc's Network Code); and(iii) the procurement of gas storage capacity for the purposes of meeting operating margins requirements (having the meaning given to that term in Transco plc's Network Code);
Transco plc's Network Code	means the Network Code which Transco plc is required to have in place in accordance with amended standard condition 9 of Transco plc's Gas Transporter licence;
transportation system	means the system (having the meaning given to that term in Transco plc's Network Code); and
very large user quantity	means the aggregate quantity of gas in kilowatt hours,

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

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

Special Condition 28B: Restriction of revenue in respect of the Distribution Network transportation activity

(South of England Distribution Network)

Part 1 a [Paragraphs 1 – 5]: Not used

Part 1 b The Distribution Network transportation activity revenue restriction

6. The principal restriction

- (1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year t the Distribution Network transportation activity revenue for the Distribution Network covered by this condition (DNR_t) shall not exceed the maximum Distribution Network transportation activity revenue ($DNMR_t$) in that year.
- (2) (a) If in respect of any formula year the Distribution Network transportation activity revenue in respect of a relevant Distribution Network exceeds the maximum Distribution Network transportation activity revenue by more than 4 per cent of the latter, the licensee shall provide the Authority with a written explanation and, in the next following formula year, the licensee shall not effect any increase in prices for use of the Distribution Network unless either:
 - (i) it has demonstrated to the reasonable satisfaction of the Authority that the Distribution Network transportation activity revenue in respect of the Distribution Network would not be likely to exceed the maximum Distribution Network transportation activity revenue in respect of the Distribution Network in that next following formula year; or
 - (ii) the Authority has, on the written application of the licensee, consented to such an increase in prices.

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

7. Distribution Network transportation activity revenue (DNR_t)

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

8. Maximum Distribution Network transportation activity revenue $DNMR_t$

(1) Principal formula

For the purposes of paragraph 6 of Part 1 b of this Special Condition the maximum Distribution Network transportation activity revenue in respect of formula year t $DNMR_t$ shall be derived from the following formula:

$$DNMR_t = DNZ_t + DNF_t - DNMRA_t - DNK_t$$

where:

DNZ_t in respect of the Distribution Network shall be derived in the following manner:

(i)

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

where in respect of the formula year commencing on 1 April 2004:

$$DNZ_{t-1} = \text{£}347,773,591$$

where:

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

X has the value of two (2); and

Q_t shall be derived from the following formula:

$$Q_t = \left(0.65 + 0.35 \times \frac{W_t}{W_{t-1}} \right)$$

where:

W_t means the composite user quantity in formula year t and shall be derived from the following formula:

$$W_t = B_t + (0.15 \times D_t) + (0.05 \times V_t)$$

where:

B_t is the small user quantity in formula year t;

D_t is the large user quantity in formula year t; and

V_t is the very large user quantity in formula year t.

DNF_t means the Distribution Network prescribed rates plus the Distribution Network licence fees in formula year t,

where:

Distribution Network prescribed rates means the amount of the charge deemed to be incurred in respect of the prescribed rates or equivalent tax or duty replacing them levied on the licensee in respect of the licensee's Distribution Network transportation activity: in the event that the licensee is not Transco plc, and is not an affiliate of Transco plc, it will be the amount of the separate rating assessment for the licensee's Distribution Network transportation activity including (where relevant) metering: in the event that the licensee is Transco plc or an affiliate of Transco plc

it shall be calculated as follows;

a) in the event that separate rating assessments are provided in respect of each Distribution Network transportation activity carried out by Transco plc or an affiliate of Transco plc, and in respect of the NTS transportation owner activity carried out either by Transco plc or by an affiliate of Transco plc, the charge shall be the amount so assessed

b) in the event that a separate rating assessment is not provided in respect of any of the Distribution Network transportation activities carried out by Transco plc or an affiliate of Transco plc, and of the NTS transportation owner activity carried out either by Transco plc or by an affiliate of Transco plc, and if each of the 8 Distribution Networks owned by Transco plc on 1 April 2004 continue to be owned by Transco plc or an affiliate of Transco plc, the total charge in respect of the licensee's Distribution Network transportation owner activity shall be 19.0800% of 83% of the prescribed rates or equivalent tax replacing them levied in respect of the licensee and its affiliates' NTS transportation owner activity and the Distribution Network transportation activity;

c) in any other circumstance, the licensee shall perform attributions and allocations of cost between the NTS Transportation owner activity, the Distribution Network Transportation activity, and (where relevant) Metering activities:

- on an objective basis;

- in a manner calculated not to benefit unduly the licensee or any other company or organisation;

- wherever practicable, on a consistent basis from one formula period to the next.

In the event that the licensee receives a separate rating assessment or assessments in respect of gas meters connected to the licensee's pipeline system in respect of periods from 1 April 2005 onwards, the resultant charges shall be deemed to constitute an element of the Distribution Network prescribed rates and shall be treated by the licensee in accordance with Special Condition 29.

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

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

DNK_t Means the Distribution Network transportation activity revenue adjustment factor to the Distribution Network transportation activity revenue over or under recovery in respect of formula year t-1 and shall be derived in accordance with paragraph 8(4) of Part

1 b of this Special Condition.

(2) Mains replacement expenditure adjustment (DNMRA_t)

For the purposes of paragraph 8(1) of Part 1 b of this Special Condition the mains expenditure adjustment in respect of formula year t (DNMRA_t) shall be derived from the following manner:

If $E_t > AM_t$, then:

$$DNMRA_t = \left(1 + \frac{A_t}{100}\right) \times J_t \times 1,000,000 - (0.5 \times E_t) - (0.5 \times AM_t)$$

Otherwise:

$$DNMRA_t = \left(1 + \frac{A_t}{100}\right) \times J_t \times 1,000,000 - (0.67 \times E_t) - (0.33 \times AM_t)$$

where:

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

J_t means the price control initial projection allowance in respect of formula year t and shall have the values set out in the following table:

Price control mains allowance	Formula year t			
		t=1	t=2	t=3
		50.4	58.4	63.4

E_t means the outturn mains costs in respect of the Distribution Network in formula year t;

AM_t means the matrix mains cost in respect of the Distribution Network in formula year t and shall be derived in accordance with paragraph 8(3)

of Part 1 b of this Special Condition.

where:

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

mains RPI means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price Index numbers published or determined with respect to each of the twelve months April to March (both inclusive) in formula year t and the arithmetic average of the retail price index numbers published or determined with respect to the period from January to December (both inclusive) 2000;

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

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

(3) Matrix mains cost (AM_t)

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

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

where:

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

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

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

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

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

$\sum_{n=1}^6$ Means the sum over the diameter bands n of $L_{nt} \times U_{nt}$.

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

provided by the licensee under sub-paragraph 3(4)(b) of Part 1 b of this Special Condition above fairly presents the outturn mains costs and lengths and diameters decommissioned in formula year t.

(4) Distribution Network transportation activity revenue adjustment (DNK_t)

(a) For the purposes of paragraph 8(1) of Part 1 b of this Special Condition the Distribution Network transportation activity revenue adjustment in respect of formula year t (DNK_t) shall be derived from the following manner:

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

$$\text{DNK}_t = \text{£}3,736,542$$

(ii) and thereafter

$$\text{DNK}_t = (\text{DNR}_{t-1} - \text{DNMR}_{t-1}) \times \left(1 + \frac{I_t}{100}\right)$$

where:

I_t means the percentage interest rate in respect of formula year t which is equal to:

- (a) in the event that the licensee and its affiliates taken together own one Distribution Network, where DNK_t (taking no account of I_t for this purpose) has a positive value, the average specified rate plus 3 or, where DNK_t (taking no account of I_t for this purpose) has a negative value, the average specified rate;
- (b) in the event that the licensee and its affiliates taken together own more than one Distribution Network, the value given under (a), except that, where the sum of DNK_t (taking no account of I_t

for this purpose) for all such networks has a negative value the percentage interest rate for each Distribution Network shall be the average specified rate, and where the total of DNK_t (taking no account of I_t for this purpose) for all such networks has a positive value, the percentage interest rate for each Distribution Network shall be the average specified rate plus 3.

9. Calculation of quantities

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

10. Reporting obligations

- (1) Where the licensee publishes any statement or revised or amended statement as to its Distribution Network transportation charges under amended standard condition 4 (Charging Gas Shippers – General), the Licensee shall not later than twenty eight days prior to the time of such publication provide the Authority with:
 - (a) a written forecast of maximum Distribution Network transportation activity revenue together with its components, in respect of the formula year in which the change in such charges is to take effect and also in respect of the next following formula years; and

- (b) a written estimate of the maximum Distribution Network transportation activity revenue together with its components, in respect of the formula year immediately preceding the formula year in which the change in such charges is to take effect unless a statement complying with paragraph 10(4) of Part 1 b of this Special Condition in respect of the first mentioned formula year has been furnished to the Authority before publication of the proposed change to such charges.
- (2) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its Distribution Network transportation charges under amended standard condition 4 (Charging Gas Shippers – General) the licensee shall provide the Authority with a written forecast of the maximum Distribution Network transportation activity revenue together with its components, in respect of that formula year.
- (3) Any forecasts as aforesaid shall be accompanied by such information as may be necessary to enable the Authority to be reasonably satisfied that the forecasts have been properly prepared on a consistent basis.
- (4) Not later than six weeks after the commencement of the formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 6(1) and 6(2) of Part I b of this Special Condition above apply in respect of that formula year and its best estimate of what DNK_t (as defined in paragraph 8(4) of Part 1 b this Special Condition) is likely to be in that formula year in respect of the Distribution Network.
- (5) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement showing the Distribution Network transportation activity revenue, the Distribution Network transportation quantity and the commercial user quantity, the very large user quantity and the small interruptible user quantity in respect of that formula year which shall be certified by a Director of the licensee on behalf of the licensee stating that the information is correct to the best of his knowledge and belief having made all reasonable enquiries.

- (6) The statement referred to in sub-paragraph (5) above shall be accompanied by a report from an appropriate auditor that, in its opinion, that statement fairly presents the Distribution Network transportation activity revenue, the Distribution Network transportation quantity and the commercial user quantity, the very large user quantity and the small interruptible user quantity, in accordance with the requirements of this Special Condition.

11. Disapplication of the Distribution Network transportation activity revenue restriction

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

Authority to agree that the conditions shall cease to have effect, (the disapplication date).

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

Part 2 [Paragraphs 12 – 14(6)(h)]: Not used

14(6) (i) Statement of actual interruption

- (i) The licensee shall publish by 12:00 hours each day a statement setting out in respect of the Distribution Network by each exit zone (having the meaning given to that term in Transco plc's Network Code):
 - (aa) the volumes of LDZ capacity which were curtailed on the previous day; and
 - (bb) in respect of sub-paragraph (aa) above it initiated such use of exit capacity curtailment rights for which of the following reasons: (i) for the purposes of managing capacity rights within the Distribution Network or (ii) for such other reason as the licensee shall specify.
- (ii) The licensee shall retain copies of each statement published pursuant to sub-paragraph 14(6)(i)(i) of Part 2 of this Special Condition for at least seven (7) years.

[Paragraphs 14(7) – 16] : Not used

Special Condition 29: Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network

1. Unless the Authority otherwise directs any allocation or attribution of revenues, costs, assets and liabilities performed by the licensee in order to calculate any of the values referred to in Special Condition 28B (Restriction of revenue in respect of the Distribution Network transportation activity) shall conform to the following principles:
 - (a) The licensee shall in so far as is reasonably practicable allocate or attribute revenues, costs, assets and liabilities in accordance with the activities which cause the revenues to be earned, costs to be incurred, the assets to be acquired or the liabilities to be incurred.
 - (b) The licensee shall perform allocations and attributions:
 - (i) on an objective basis; and
 - (ii) in a manner calculated not to unduly benefit the licensee (and/or any other business held by Transco plc or its affiliates or related undertakings under a separate licence) or any other company or organisation.
 - (c) The licensee shall perform, wherever practicable, all allocations and attributions on a consistent basis from one formula year to the next.
2. The licensee will allocate or attribute all revenue earned and costs incurred by the transportation business to the following activities:
 - (a) the Distribution Network transportation activity;
 - (b) the metering activities; or
 - (c) excluded services in accordance with the principles set out in Special Condition 30 (Supplementary provisions of the revenue restrictions in respect of the Distribution Network).

3. The licensee shall on or before 1 October 2002 or such later date as the Authority may direct and thereafter before 1 July in each subsequent formula year (or such longer period as the Authority may approve) prepare and submit to the Authority a statement in a form approved by the Authority setting out (consistently with the licensee's duty under paragraph 1 and 2 of this Special Condition and consistently with its other duties under the Act, and the standard, amended standard and Special Conditions) the methods it intends to use in the allocation and attribution of revenues and costs. As a minimum, the statement shall distinguish from each other the allocation or attribution of, revenues, costs, assets and liabilities to each of the activities listed in paragraph 2 of this Special Condition and where such allocations and attributions have changed from one year to the next, the licensee shall indicate how and why such basis has been changed.
4. The licensee shall re-allocate or re-attribute revenues earned by the licensee and costs incurred by the licensee to the activities undertaken by the licensee listed in paragraph 2 of this Special Condition in accordance with any direction made in writing by the Authority within three months of receipt of the statement prepared pursuant to paragraph 3 of this Special Condition so as to bring such re-allocation or attribution into compliance with paragraph 1 of this Special Condition.
5. (a) The licensee shall no later than three months after the end of each formula year prepare and submit to the Authority a report on the manner in which and the extent to which the licensee has, during that formula year, complied with the statement prepared pursuant to paragraph 3 of this Special Condition as modified pursuant to paragraph 4 of this Special Condition and whether any modification should be made to that statement to reflect more closely the practice of the licensee.

(b) The report shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has properly prepared the report submitted pursuant to paragraph 5(a) in accordance with paragraphs 3 and 4 of this Special Condition.

6. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraphs 3 and 4 of this Special Condition.
7. To the extent the licensee earns revenues or incurs costs in the provision of de minimis activities in accordance with special condition 2 (Restriction on Activity and Financial Ring-fencing), the licensee shall report on these revenues and costs in accordance with this Special Condition.
8. In this Special Condition:

appropriate auditors shall have the meaning given to that term in Special Condition 28A (Revenue restriction definitions in respect of the Distribution Network);

transportation business means any activity or engagement undertaken by the licensee or any affiliate or related undertaking of the licensee related to the operation, planning, expansion and maintenance of its transportation system and shall include the Distribution Network transportation activity, the metering and meter reading activity and excluded services;

Distribution Network transportation activity shall have the meaning given to that term in Special Condition 28A (Revenue restriction definitions in respect of the Distribution Network)

metering activity shall have the meaning given to that term in Special Condition 32 (Non-discrimination in the provision of metering activities);

excluded services means any activity or engagement undertaken by the licensee or any affiliate or related undertaking of the licensee that has been determined by the Authority to be an excluded service in line with the principles outlined in Special Condition 30 (Supplementary provisions of the

revenue restrictions in respect of the Distribution Network).

Special Condition 30: Supplementary provisions of the revenue restrictions in respect of the Distribution Network

1. There may be treated as excluded services services provided by the licensee in the provision of its Distribution Network transportation activity in respect of which charges are made which:
 - (a) do not fall within Special Condition 28B (Restriction of revenue in respect of the Distribution Network transportation activity); and
 - (b) may be determined by the licensee as falling under one of the principles set out in paragraphs 2 to 4 of this Special Condition.
2. No service provided by the licensee as part of its Distribution Network transportation activity shall be treated as an excluded service in so far as it relates to the provision of services remunerated through charges levied pursuant to paragraph 7 of Part 1 b of Special Condition E2B (Restriction of revenue in respect of the Distribution Network transportation activity).
3. The whole or an appropriate proportion of the charges received for the following may be treated as excluded services:
 - (a) subject in each case to paragraphs 11 and 12 of standard condition 48 (Last Resort Supply: Payment Claims), are of an amount equal to the increases in its charges pursuant to paragraph 5 of said standard condition 48; or
 - (b) derive from supplemental charges within the meaning of amended standard condition 4C (Charging Gas Shippers – Supplemental Connection Charges); or
 - (c) derive from charges in respect of the provision of emergency services under contracts entered into pursuant to Special Condition 19 (Emergency services to or on behalf of another gas transporter); or
 - (d) represent revenue equal to any allowance made or charges (in respect of gas treated as not having been taken out of its pipeline system) required to be

foregone for the purpose of paragraphs 5 and 6 of standard condition 7 (Provision of Information Relating to Gas Illegally Taken); or

- (e) derive from the execution of works in connection with the provision of, or the carrying out of modifications to, points at which gas may be introduced into or taken off the transportation system.
4. There may with the approval of the Authority be treated as an excluded service any service of a type not referred to which:
- (a) consists in the provision of services for the specific benefit of a third party requesting the same; and
 - (b) is not made available by the licensee as a normal part of its Distribution Network transportation activity.
5. Where the Authority is satisfied that in light of the principles set out in paragraphs 2 to 4 inclusive of this Special Condition any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect and such service shall cease to be treated as an excluded service with effect from the date of issue of such directions or such earlier date as specified in the directions being not earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 3 of Special Condition 29 (Allocation of Revenues and Costs of Calculations under the Price Control in respect of the Distribution Network) prior to issue of such directions related, unless such statement or the accompanying report or certificate referred to in paragraph 5 of that Special Condition or any earlier such statement, report or certificate was incorrect or misleading in any material aspect.

Special condition 33: Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the Distribution Network

1. The licensee shall provide statements to the Authority of the information specified in the following table for the periods identified in that table and by the dates specified in that table. Where information is derived from a formula defined in the licence, the component parameters of that formula shall also be reported. Where information is requested in respect of periods of less than a full formula year, the licensee shall provide such information on a reasonable endeavours basis. All revenue and information provided shall comply with Special Condition 29 (Allocation of revenue and costs for calculations under the price control in respect of the Distribution Network).

Description	Licence definition	Period	Reporting deadline
Distribution Network transportation activity			
DNR_t	Distribution Network transportation activity revenue	Formula years	By 30 June in formula year t+1
E_t	Out-turn mains costs	Formula years	By 31 July in formula year t+1
$L_{n,t}$	Lengths of included mains decommissioned by diameter band	Formula years	By 31 July in formula year t+1
DNK_t	Distribution Network transportation activity revenue adjustment factor	Formula years	By 30 June in formula year t+1
	Distribution Network	Formula years	By 30 June

	transportation quantity		in formula year t+1
	Commercial user quantity	Formula years	By 30 June in formula year t+1
V _t	Very large user quantity	Formula years	By 30 June in formula year t+1
	Small interruptible user quantity	Formula years	By 30 June in formula year t+1

Emergency Services

	Revenues earned and costs incurred in the provision of emergency services to other gas transporters, by gas transporter, including a description of the services provided.	Formula years	By 30 June in formula year t+1
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Exit Information Reporting

	Volumes, prices paid and charges forgone in respect of LDZ capacity curtailment rights, by Distribution Network	Formula years	By 30 June in formula year t+1
	Volumes and payments made in respect of the curtailment of rights to off-take gas from the Distribution Network on plus 15	Formula years	By 30 June in formula year t+1

	curtailment days aggregated by LDZ		
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2. If, prior to the fulfilment of its obligations under paragraph 3 of this Special Condition, the licensee becomes aware of any inaccuracies in respect of information it has provided to the Authority in pursuance of its obligations under paragraph 1 of this Special Condition it shall notify such inaccuracies to the Authority together with details of why such information is inaccurate and of the correct information.

3. As soon as reasonably practical after the end of each formula year and in any event no later than three months after the end of the formula year the licensee shall send to the Authority a reconciliation of the information provided in accordance with paragraph 1 of this Special Condition for periods of less than the formula year with that provided for the full formula year together with a written explanation of any discrepancies.

4. The reconciliations provided by the licensee under paragraph 3 of this Special Condition shall be accompanied by a report prepared by appropriate auditors addressed to the Authority which indicates whether, in their opinion:
 - that statement fairly presents so far as it reasonably possible to do so the licensee's performance against each of the performance measures provided for in Special Condition 28B (Restriction of revenue in respect of the Distribution Network transportation activity) in respect of the formula year to which the statement relates; and

 - that statement used data compiled in accordance with Special Condition 29 (Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network) and is consistent with the licensee's accounting records; and

 - any explanations given by the licensee under paragraphs 2 and 3 of this Special Condition in respect of the formula year in question were reasonable and consistent with the information supplied.

Special Condition 34: Not used

Special Condition 35: Not used

Special Condition 36: Distribution Network incentive scheme and performance reporting in respect of the Distribution Network

1. The principal purpose of this Special Condition is to secure the collection of information to an appropriate degree of accuracy, by the licensee so as:
 - (a) to facilitate the establishment and operation of an incentive scheme (“the scheme”) to improve the operation of, and delivery of appropriate output from the licensee’s Distribution Network;
 - (b) to monitor the operation of, and delivery of appropriate output from, the licensee’s Distribution Network; and
 - (c) to facilitate the development of an expenditure monitoring framework.
2. The licensee shall establish appropriate systems, processes and procedures to measure and record specified information from the dates specified in paragraph 4 of this Special Condition and in accordance with regulatory instructions and guidance (including any associated information specified therein).
3. For the purposes of this Special Condition:

revenue restriction means the Distribution Network activity revenue restriction in Special Condition 28B (The Distribution Network transportation activity revenue restriction) Part 1 b;

charging review date means any date from which modifications to Special Condition 28B (The Distribution Network transportation activity revenue restriction) Part 1 b relating to the licensee’s Distribution Network have effect:

- (a) whether before or after the date upon which the modifications are made;

(b) where such modifications have been proposed by the Authority following a review by the Authority of the revenue restrictions in Special Condition 28B (The Distribution Network transportation activity revenue restriction) 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 28A (Revenue restriction definitions in respect of the Distribution Network);

Distribution Network has the meaning given in Special Condition 28A (Revenue restriction definitions in respect of the Distribution Network).

Distribution Network peak demand has the meaning given in Standard Condition 16 (pipe-line system security standards);

M number database means the licensee's database which allocates a unique number to identify particular supply meter points as defined in Transco plc's Network Code;

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

regulatory instructions and guidance means any instructions and guidance issued by the Authority for the purposes of this Special Condition as modified from time to time by notice under paragraph 9 and may include:

(a) instructions and guidance as to the establishment of different systems, processes, procedures and

manners for providing and recording information and of standards for different classes of information;

- (b) a timetable for the development of the systems, processes and procedures required to achieve the appropriate standards of accuracy and reliability with which specified information shall be recorded;
- (c) the meaning of words and phrases used in defining specified information;
- (d) requirements for the recording of information associated with specified information which is reasonably necessary to enable an examiner to determine the accuracy and reliability of specified information;
- (e) requirements as to the form and manner in which specified information shall be provided to the Authority;
- (f) requirements as to the manner in which specified information shall be recorded and as to the standards of accuracy and reliability with which it shall be recorded; and
- (g) a statement as to whether and to what extent each category of specified information is required for the purposes of the scheme;

specified information Means

- (a) information regarding interruptions comprising:
 - (i) the number of interruptions to supply, not caused pursuant to contract, per year in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and
 - (ii) the duration of interruptions to supply, not caused pursuant to contract, per year in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance.

- (b) information regarding queries from shippers, comprising:
 - (i) the percentage of Shipper queries resolved within 10 business days in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
 - (ii) the percentage of shipper queries resolved within 20 business days in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and,
 - (iii) the mean time taken to resolve outstanding shipper queries in both aggregate form and disaggregate form in respect of the Distribution

Network in the form and manner specified in the regulatory instructions and guidance.

- (c) information regarding the M-number CD-ROM comprising:
 - (i) an assessment of the reliability of the M-number CD-ROM service in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and
 - (ii) a report of invalid or out of date information on the M-number CD-ROM service in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
- (d) information regarding the replacement of mains and services (as the same are defined in the regulatory instructions and guidance) comprising:
 - (i) the amount of mains decommissioned per year by the licensee, measured in kilometres and in aggregate and in disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
 - (ii) the amount of replacement mains per year installed by the licensee, measured in kilometres in aggregate and in disaggregate form in respect of the Distribution Network in

the form and manner specified in the regulatory instructions and guidance;

- (iii) the number of services decommissioned per year by the licensee in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
 - (iv) the number of replacement services installed per year by the licensee in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and,
 - (v) the number of services transferred per year by the licensee in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance.
- (e) information regarding Distribution Network peak demand measured in aggregate and disaggregate form in respect of the 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.

- (f) information regarding environmental performance measures including:
 - (i) methane emissions in each formula year measured in estimated tonnes in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and
 - (ii) loss of containment of gas reportable to the Health and Safety Executive in accordance with the Control of Major Accident Hazards Regulations 1999 in the formula year in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance.
- (g) an analysis of trends observable from the Distribution Network environmental measures.
- (h) supporting information including:
 - (i) information regarding annual demand in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
 - (ii) information regarding all new connections from the Distribution Network to premises or to pipeline systems operated by an authorised gas transporter in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;

- (iii) information regarding all rechargeable diversions as defined in Special Condition 28B (Restriction of revenue in respect of the Distribution Network transportation activity) in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance
- (iv) information regarding escapes of gas which have been reported by members of the public in aggregate and disaggregate form in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
- (v) information regarding the accuracy of one and three-year ahead annual and peak demand forecasts in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance;
- (vi) information regarding gas in buildings as the same is defined in the licensee's engineering instructions as the same may be updated from time to time in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and
- (vii) information regarding cast iron mains fractures in respect of the Distribution Network in the form and manner specified in the regulatory instructions and guidance; and

- (i) such other information as may from time to time be specified by the Authority, by notice to the licensee in accordance with paragraph 9.

4. The licensee shall collect specified information in respect of:

- (a) the matters specified in sub-paragraph (a) of the definition of specified information from and including 1 April 2003;
- (b) the matters specified in sub-paragraph (b)-(h) of the definition of specified information from and including 1 April 2002; and
- (c) any matter specified under sub-paragraph (i) of that definition from the date specified in a notice given in accordance with paragraph 9.

5. The licensee shall provide to the Authority:

- (a) the information referred to in sub-paragraph (a) of the definition of specified information, with respect to the formula years commencing on 1 April 2003 and 1 April 2004, on or before 31 July (information regarding the previous quarter), 31 October (information regarding the previous quarter), 31 January (information regarding the previous quarter) and 30 April (information regarding the previous quarter and the previous formula year) in each respective year (or on such later dates as the Authority may by notice specify);
- (b) the information referred to in sub-paragraph (a) of the definition of specified information, on 30 April 2006 and then annually on that date (information regarding the previous formula year) (or on such later dates as the Authority may by notice specify);
- (c) the information referred to in sub-paragraphs (b) - (h) of the definition of specified information on 31 July 2003 and then annually on that date (information regarding the previous formula year) (or on such later dates as the Authority may by notice specify); and

- (d) the information referred to in sub-paragraph (i) of the definition of specified information in respect of such period and by such date as shall be specified in the relevant notice in accordance with that sub-paragraph.
6. The licensee shall permit a person or persons nominated by the Authority (in each case “an examiner”) to examine the systems, processes and procedures referred to in paragraph 2 and their operation, the specified information and the extent to which each complies, and is in accordance, with this Special Condition and the regulatory instructions and guidance.
 7. The licensee shall (and shall procure, insofar as it is able to do so, that any affiliate of the licensee, any person by whom it procures the performance of the obligation in paragraph 2 and any auditor of such person or of the licensee shall) co-operate fully with an examiner so as to enable him to carry out, complete and report to the Authority on any examination carried out in accordance with paragraph 6.
 8. The licensee’s obligation under paragraph 7 to cooperate or procure cooperation with an examiner shall include, without limitation and insofar as necessary or expedient for such purpose, in each case subject to reasonable prior notice to the licensee:
 - (a) providing access to management, employees, agents or independent contractors of the licensee sufficient to enable the examiner to make any enquiries and to discuss any matters which he reasonably considers to be relevant to the carrying out of the examination;
 - (b) giving to the examiner access at reasonable hours to any premises occupied by the licensee or any other person in performing the obligations set out in this Special Condition; and
 - (c) allowing the examiner at reasonable hours:
 - (i) to inspect and make copies of, and take extracts from, any documents and records of the licensee maintained in relation to specified information;

- (ii) to carry out inspections, measurements and tests on or in relation to any systems maintained and operated for or in relation to the requirements of this Special Condition; and
 - (iii) to take onto such premises or onto or into any assets used for the purpose of the licensee's Distribution network such other persons and such equipment as may be necessary or expedient for the purpose of carrying out the examination.
- 9. A notice published by the Authority which adds to the categories of specified information or which modifies regulatory instructions and guidance (in each case, an "amendment") shall have effect where the Authority has:
 - (a) given prior notice to the licensee:
 - (i) stating that it proposes to make the amendment and setting out its effect, the date it is proposed it should take effect and (where relevant) whether the additional category of specified information is required for the purposes of the scheme;
 - (ii) stating the reasons why it proposes to make the amendment;
 - (iii) specifying the time (not being less than 28 days from the date of publication of the notice) within which representations or objections with respect to the proposed amendment may be made; and
 - (b) considered any representations or objections which are duly made and not withdrawn.
- 10. A notice under paragraph 9 may not, where the amendment relates to a requirement in regulatory instructions and guidance to provide any specified information to a greater level of accuracy or the introduction of an additional category of specified information, specify a date for the purpose of paragraph 9(a)(i) other than a charging review date nor be given less than 12 months prior to that date unless the licensee has agreed an alternative date or period of notice.

- (a) In relation to the information referred to in sub-paragraph (a) of the definition of specified information, where the amendment relates to the specification of required levels of accuracy in the regulatory instructions and guidance prior to 1 April 2004, the period of 12 months referred to in paragraph 10 above shall be substituted with 3 months and the amendment may take place other than at a charging review date.

11. The reasons for proposing an amendment which relates to any change in regulatory instructions and guidance (other than that referred to in paragraph 10) in respect of specified information which is or is intended to be required for the purposes of the scheme may have regard in particular to the desirability of:-

- (a) improving the presentation or style of the regulatory instructions and guidance or of the form and manner in which the specified information is to be provided;
- (b) summarising the terms of reference and instructions from time to time given to an examiner; or
- (c) setting out any of the matters referred to in paragraphs (a) to (f) of the definition of regulatory instructions and guidance in respect of any additional category of specified information

so as more effectively to achieve the purposes of this Special Condition.

12. Nothing in this Special Condition shall require the licensee to produce any documents which it could not be compelled to produce or give in evidence in civil proceedings before a court.

Schedule A [Tables A1 – A4]: Not used