

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 regulatory accounts for the following businesses, unless the Authority otherwise consents in writing –

(a) 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;

(b) NOT USED;

(c) 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;

(d) the meter reading business;

(e) 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 (a) to (d) above, and clearly describing each such de minimis activity;

(f) 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 (a) to (d) above, and clearly describing each service provided;

and for the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within sub-

paragraphs (a), (b), (c), (d), (e) and (f) where applicable, and, in addition, details of any de minimis business carried out by a relevant associate of the holder of the licence.

1A. 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:

(a) ensure that all businesses of the licence holder that relate to subparagraphs (a) to (f) 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

(b) 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.

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 preceding the changes referred to above.
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 paragraph 1 and the reconciliation information provided under paragraph 1A; and
 - (b) deliver to the Authority those accounts and the auditor's report referred to in sub-paragraphs (a)(ii) of this paragraph and paragraph 8 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. The licensee shall take all appropriate steps within its power to procure that, in relation to its regulatory accounts prepared under paragraph 3(b), the audit referred to in sub-paragraph 7(a)(i) shall verify and the auditors shall report separately from the report in paragraph 7(a)(ii) to the Authority whether the obligation to avoid discrimination and cross-subsidies specified in Article 17 of Directive 2003/55/EC of the European Parliament and of the European Council of 26 June 2003 has been respected.
9. For the purposes of paragraphs 7 and 8, 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

10. Unless the Authority otherwise directs, after consulting the licensee, the licensee must, subject to paragraph 12 below, publish its regulatory accounts and the reconciliation provided under paragraph 1A, with the exception of the part of such regulatory accounts which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively, any information provided under paragraph 1(e), and any other information agreed by the Authority in writing to be 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.
11. 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.
12. 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

13. 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 **must** be construed as if such provisions were in force at such date.
14. NOT USED
15. **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.**
16. A consent under paragraph 3, 4, 7 or **12** 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.
17. 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).