

**The Company Secretary**

**Transco plc**

**1-3 Strand**

**London**

**WC2N 5EH**

## **GAS TRANSPORTERS LICENCE**

### **Direction issued by the Gas and Electricity Markets Authority**

#### **WHEREAS:**

- (a). Transco plc ("Transco"), a company registered in England and Wales with company number 2006000 and registered office at 1-3 Strand, London WC2N 5EH is the holder of a gas transporters licence treated as granted by the Gas and Electricity Markets Authority ("the Authority") under section 7 of the Gas Act 1986 ("the Act") which was amended and restated by a licensing scheme made by the Secretary of State for Trade and Industry (the "Secretary of State") pursuant to paragraph 19 of Schedule 7 to the Utilities Act 2000 on 28 September 2001 ("the original licence").
- (b). Until 1 February 2001, the original licence related to both Transco's National Transmission System ("NTS") and eight Distribution Networks ("DNs").
- (c). Transco is proposing to hive down four of its DNs into four wholly owned Transco subsidiary companies, the shares in which would then be sold to third party purchasers (the "Proposed Transaction"). As part of this process, the original licence is to be substantially modified and restructured so that it refers to the NTS only. The four DNs to be sold will be held under four separate gas transporters licences (the "IDN licences") and the remaining four DNs will continue to be owned by Transco but will be held under a separate gas transporter's licence (the "RDN licence"). On 5 November 2004, Transco was granted five additional licences (the "additional licences") in substantially the same form as the original licence in connection with the Proposed Transaction. It is proposed that four of these additional licences will be transferred to the four relevant wholly owned subsidiary companies.

- (d). Pursuant to Amended Standard Condition 29 of the original licence, the Proposed Transaction requires the consent of the Authority and the Secretary of State. On 20 January 2005, the Authority met at a duly convened Authority meeting to consider Transco's applications for such consent. After careful consideration, the Authority granted four conditional consents ("the consents") to Transco under Amended Standard Condition 29 of the original licence to dispose of each the four relevant DNs from Transco to four relevant wholly owned subsidiary companies. Such disposal is not permitted to take place prior to 1 May 2005. As the Authority's consents were granted on a conditional basis<sup>1</sup>, Transco is required to satisfy a number of conditions precedent before the consents become effective. In addition, the Authority also attached a number of conditions subsequent to its consent. In particular, and without limitation, the Authority's further consent is required in relation to a number of areas of the Proposed Transaction. For example, Transco is prohibited from disposing or relinquishing control (directly or indirectly) of the shares in the four relevant wholly owned subsidiary companies without the prior written consent of the Authority.
- (e). Further to the consents, on 1 February 2005, in accordance with the powers contained in section 23 of the Act and with the written consent of Transco the Authority issued a direction modifying the original licence, the RDN licence and the IDN licences to achieve revenue separation between the original licence, the RDN licence and the IDN licences. However, each of the original licence, the RDN licence and the IDN licences continued to be owned and held by Transco.
- (f). Pursuant to section 8AA of the Act, the transfer of a licence also requires the consent of the Authority. As part of the Proposed Transaction, Transco proposed that at hive down, each of the IDN licences be transferred to the relevant wholly owned Transco subsidiary company. On 25 April 2005, the Authority met at a duly convened Authority meeting to consider the Transco's applications for such consent. After careful consideration, the Authority granted conditional consent to the transfer of the four IDN licences. Such consents became effective today following satisfaction of the relevant conditions.

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<sup>1</sup> For further detail on the conditions to consent – see Appendix 2 to the Authority's Consent Directions. *National Grid Transco – Sale of gas distribution networks: Transco plc applications to dispose of four gas distribution networks Authority decision*, 1 February 2005, 21/05. (the "Consent Directions") Appendix 2.

- (g). Also today the Authority issued a direction to implement the modifications to the original licence and the RDN licence pursuant to section 23. In addition, the Authority today issued a direction pursuant to section 8AA of the Act to implement the modifications to the four IDN licences. Such modifications to the IDN licences were a condition to the Authority's consent under section 8AA to transfer the IDN licences.
- (h). Transco currently holds a number of consents, acceptances, approvals, directions, indications, agreements and other similar licence related instruments ("LRIs") in relation to the original licence (the "existing LRIs"). The existing LRIs relate to both the NTS and the DNs.
- (i). Pursuant to a letter issued by the Authority on 19 October 2004 (the "comfort letter"), the five additional licences have the benefit of the existing LRIs until the date of hive down.
- (j). At hive down, due to the scale of the restructuring of the two licences which will be retained by Transco (i.e. the original licence in respect of the NTS and the RDN licence in respect of the RDNs) and the four licences that will be transferred to the four wholly owned Transco subsidiary companies (i.e the IDN licences) and the expiry of the comfort letter (referred to above):
- i. the existing LRIs will not necessarily continue to apply to the original licence (as it will relate to the NTS only);
  - ii. some of the existing LRIs relating to the NTS will need to be restated so as to make reference to the correct licence condition numbers in original licence (as restructured);
  - iii. none of the existing LRIs will apply in respect of either the RDN licence (that will be held by Transco) or the four IDN licences (that will be transferred to the four wholly owned Transco subsidiary companies); and
  - iv. certain new additional LRIs will be required in respect of both the original licence (in respect of the NTS), the RDN licence and the four IDN licences.
- (k). On 28 April 2005 Transco wrote to the Authority (both for itself and on behalf of its four relevant wholly owned subsidiary companies providing a list (as amended by subsequent correspondence) of the existing LRIs it considered would be relevant following completion of the Proposed Transaction and in relation to which licences and licence conditions such LRIs would apply. Transco confirmed that those existing LRIs not included on the list would no longer be required once hive down had occurred. The list also set out new LRIs which Transco considered would be necessary for the NTS and / or DNs following completion of the Proposed Transaction.

(l). Against this background, Transco requested that:

- I.1 certain of the existing LRIs be amended and restated in respect of the original licence which would apply to the NTS only in order to refer to the new licence condition numbers and to confirm that their effect is limited to the NTS only with effect from the date of completion of hive down;
- I.2 certain licence conditions have been modified pursuant to the section 8AA and associated section 23 directions so as to state that where the holder of the licence owns one or more relevant gas transporters, the licences which are held by a single legal entity, references in such new conditions to “licensee” shall mean that legal entity. As with all licence conditions modified by the section 8AA direction and associated section 23 notice referred to at (g) above, the conditions have also been renumbered as a result of the restructuring of the licences. Accordingly, Transco has requested that certain of the existing LRIs (which have been issued pursuant to such licence conditions) be amended and restated in respect of the original licence (in respect of the NTS) such that they apply to the licensee as a legal entity as a whole and reference the renumbered conditions; and
- I.3 certain LRIs be granted to the four relevant wholly owned Transco subsidiary companies in respect of the IDN licences and to Transco in respect of the RDN licence.

(m). Having carefully considered Transco’s request, the Authority is minded to direct that the existing LRIs be treated in the manner contained in this direction.

**NOW THE AUTHORITY HEREBY DIRECTS AS FOLLOWS:-**

- 1. Having regard to the Transco’s request and having received Transco’s written consent (for itself and on behalf of each of the four relevant wholly owned subsidiary companies) the Authority hereby directs that:-
  - a. the existing LRIs contained in Schedule 1 to this direction shall continue in full force and effect subject to the following modifications;

- i. they shall only apply to the NTS and shall have no application in respect of either the DNs to be retained by Transco and /or the DNs to be hived down and sold by Transco or in respect of the additional licences; and
- ii they shall be amended and restated and these amended and restated documents shall be treated as the conformed and accurate versions of these LRIs for all purposes.

In addition the LRIs contained in Schedule 1 to this direction which are not existing LRIs shall be issued for the first time in respect of the original licence (relating to the NTS);

- b. the LRIs contained in Schedule 2 to this direction shall be granted in respect of the additional licences (in respect of the RDNs and IDNs);
  - c. the existing LRIs contained in Schedule 3 to this direction shall be reissued or issued for the first time in respect of Transco as a legal entity; and
  - d. all other existing LRIs granted by the Authority on whatever basis and in whatever form, and regardless of the terms of the LRI are, with the written consent of Transco, revoked with the exception of those set out in Schedule 4 to this direction.
2. This direction shall take effect on and from the date of this direction and shall continue in full force and effect unless varied by the Authority in writing following consultation with Transco and/or holders of each of the five additional licences (as appropriate).

Dated 1 May 2005

David Gray

Managing Director, Networks

**Duly authorised by the Authority**

## Schedule 1

### Licence related instruments to be reissued or issued for the first time (as appropriate) to the NTS licence holder at hive down

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
N/A	Consent for one network code covering more than one licence	Standard Special Condition A11, para 4 (Network Code and Uniform Network Code)
N/A	Consent to allow joint utilisation of the shrinkage procurement execution function of Transco plc in the sourcing of transportation commodities, gas or gas derivatives and, at D plus 5, to allocate any imbalance to or from the shrinkage book of Transco's gas distribution imbalance, whenever there exists an imbalance capable of such allocation and at the price that is set by the system for that day.	Special Condition C4 (Prohibited Procurement Activities)
N/A	Authority to approve statement for separation from the activities of non-gas transporter affiliates or related undertakings, e.g. metering and LNG.	Standard Special Condition A33, para 4 (Restriction on Use of Certain Information and Independence of the Transportation System)
N/A	Authority to approve statement of separation of NTS & DN businesses.	Special Condition C20, para 2 (Separation of NTS and Distribution Network Businesses)
Amended Standard Condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business)	Consent not to have to put in place separate managerial and operational systems as prescribed in the condition so as to allow information relating to the provision of primes & deduct meters and unique sites, daily meter reading services to flow between Transco's transportation business and its meter-related business and its meter reading business to facilitate interim arrangements for a specific time limit issued on 12/07/04.	Standard Special Condition A33, para 2 (Restriction on Use of Certain Information and Independence of the Transportation System)
Special Condition 9D (Restriction of Prices for LNG Storage Services)	Authority consent to charging for the supply of LNG storage services otherwise than in accordance with Table 1 of SpC 9D / C3 issued 25/01/05.	Special Condition C3 (Restriction of Prices for LNG Storage Services)

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Special Condition 9D (Restriction of Prices for LNG Storage Services)	Authority consent to charging for the supply of LNG storage services otherwise than in accordance with Table 2 of SpC 9D / C3 issued 25/01/05.	Special Condition C3 para 2 (Restriction of Prices for LNG Storage Services)
Amended Standard Condition 4E para 4 (Requirement to Enter into Transportation Arrangements in Conformity with Network Code) Amended Standard Condition 9 para 15 (Network Code)	Consent that definition of “transportation arrangements” should refer only to methane issued 01/03/96.	Standard Special Condition A7 para 4 (Requirement to Enter into Transportation Arrangements in Conformity with Network Code) Standard Special Condition A11 para 22 (Network Code and Uniform Network Code)
Amended Standard Condition 29 (Disposal of Assets)	Consent to enter into an agreement or arrangement whereby operational control of a transportation asset cease to be under the sole control of Transco plc without giving prior notice issued 16/10/02.	Standard Special Condition A27 (Disposal of Assets)
Standard Condition 18 (Provision of Services for Persons who are Blind or Deaf)	Authority may approve later date than 1 November 2001 for submission of code of practise	Standard Special Condition A20 (Provision of Services for Persons who are Blind or Deaf)
Standard Condition 21 (Complaint Handling Procedure)	Authority may approve later date than 1 November 2001 for submission of code of practise for complaints	Standard Special Condition A23 (Complaint Handling Procedure)
Standard Condition 7 para 8 (Provision of Information Relating to Gas Illegally Taken)	Authority to approve reasonable endeavours document.	Condition 7 para 8 (Provision of Information Relating to Gas Illegally Taken)
Amended Special Condition 23 para 5 (Provision of Metering and Meter Reading Services)	Authority to approve form of statement for metering and meter reading services	Standard Special Condition A43 (Provision of Metering and Meter Reading Services)

## Schedule 2

### Licence related instruments to be issued to DN licensees at hive down.

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
N/A	Consent for one network code covering more than one licence.	Standard Special Condition A11, para 4 (Network Code and Uniform Network Code) for RDN licensee.
Special Condition 2, para 4 (Restriction on Activity and Financial Ring-fencing)	Consent for a different basis for setting de minimis caps for IDNs.	Standard Special Condition A36, para 4 (Restriction on Activity and Financial Ring-fencing) for IDN licensee.
Special Condition 2 (Restriction on Activity and Financial Ring-fencing)	Consent to exclude revenue from certain activities from the <i>de minimis</i> limit.	Standard Special Condition A36, para 3(d) (Restriction on Activity and Financial Ring-fencing) for IDN licensee
N/A	Authority to give permission for appropriate alternative arrangements to investment grade issuer credit rating (for IDNs for period between hive down and completion).	Standard Special Condition A38, para 1, (Credit Rating of the Licensee) as amended by Special Condition E11, para 1 (Amendment to Credit Rating of the Licensee) for IDN licensee.
Amended Standard Condition 29 (Disposal of Assets)	Consent for relinquishment of operational control for SOMSA arrangements.	Standard Special Condition A27 (Disposal of Assets) for RDN and IDN licensees.
N/A	Consent to allow joint utilisation of the shrinkage procurement execution function of Transco plc in its sourcing of capacity rights, gas or gas derivatives and, at D plus 5, to have any imbalance that exists on the shrinkage book of Transco's gas transmission business allocated, wherever there exists an imbalance that is capable of such allocation and at the price that is set by the system for that day	Standard Special Condition D4 (Prohibited Procurement Activities) for RDN licensee.



Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Standard Condition 18, para 1 (Provision of Services for Persons who are Blind or Deaf)	Authority may approve later date than 1st Nov 2001 for submission of code of practice	Standard Special Condition A20, para 1 (Provision of Services for Persons who are Blind or Deaf) for RDN and IDN licensees.
Standard Condition 21, para 1 (Complaint Handling Procedure)	Authority may approve later date than 1st Nov 2001 for submission of code of practice for complaints	Standard Special Condition A23, para 1 (Complaint Handling Procedure) for RDN and IDN licensees.
N/A	Authority to approve statement for separation from the activities of non-gas transporter affiliates or related undertakings, e.g. metering and LNG.	Standard Special Condition A33, para 4 (Restriction on Use of Certain Information and Independence of the Transportation System) for RDN and IDN licensees.
Special Condition 27, para 3 (Licensee's Procurement and Use of System Management Services)	Authority may approve later date than 1st Oct 2002 for preparation of statement (Procurement Guidelines)	Standard Special Condition D5, para 3 (Licensee's Procurement and Use of System Management Services) for RDN and IDN licensees.
Special Condition 27 para 5 (Licensee's Procurement and Use of System Management Services)	Authority may approve later date than 1st Oct 2002 for preparation of statement (System Management Principles Statement)	Standard Special Condition D5, para 5 (Licensee's Procurement and Use of System Management Services) for RDN and IDN licensees.
Special Condition 37, para 1 (Exit Code Statement)	Authority to approve later date than 30th June 2003 for preparation of exit code statement.	Standard Special Condition D7, para 1 (Exit Code Statement) for RDN and IDN licensees.

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Special Condition 36 para 4 (a) (LDZ incentive scheme and performance reporting)	Authority may approve later date than 1st April 2003 for collection of certain specified information (interruptions)	Standard Special Condition D9, para 4(a) (Distribution Network Transportation Activity Incentive Scheme and Performance Reporting) for RDN and IDN licensees.
Special Condition 36 para 4 (c) (LDZ incentive scheme and performance reporting)	Authority may approve later date than 1st April 2002 for collection of other specified information	Standard Special Condition D9, para 4(c) (Distribution Network Transportation Activity Incentive Scheme and Performance Reporting) for RDN and IDN licensees.
Special Condition 36 para 5 (a) (LDZ incentive scheme and performance reporting)	Authority may approve later reporting period than the formula year commencing 1 <sup>st</sup> April 2003 for certain specified information (interruptions).	Standard Special Condition D9, para 5(a) (Distribution Network Transportation Activity Incentive Scheme and Performance Reporting) for RDN and IDN licensees.
Special Condition 36 para 5 (c) (LDZ incentive scheme and performance reporting)	Authority may approve later date than 31st July 2003 for provision of specified information to the Authority	Standard Special Condition D9, para 5(c) (Distribution Network Transportation Activity Incentive Scheme and Performance Reporting) for RDN and IDN licensees.

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Special Condition 29, para 3 (Allocation of revenues and costs for calculations under the price control)	Authority to approve later date than 1st October 2002 for preparation of allocation/attribution statement	Special Condition E3, para 3 (Allocation of Revenues and Costs for Calculations under the Price Control In Respect of the Distribution Network) for RDN and IDN licensees.
Amended Standard Condition 39 (Restriction on use of Certain Information and Independence of the Transportation Business)	Consent to allow information relating to the provision of primes & deduct meters and unique sites, daily meter reading services, site works, queries and query resolution to flow between the relevant transporter's transportation business and its meter-related services business and its meter reading business to facilitate interim arrangements for a specific time limit issued 12/07/04.	Standard Special Condition A33, para 2(c) (Restriction on Use of Certain Information and Independence of the Transportation System) for RDN and IDN licensees.
Special Condition 2 (3)(d) (Restriction on Activity and Financial Ring-fencing)	Consent to provide common services to NGC plc and provision of such services shall not count towards the calculation of either de-minimis threshold for the purposes of paragraph 4 of SpC 2 issued 16/10/02.	Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing) IDN licensees.
Special Condition 2 (3)(d) (Restriction on Activity and Financial Ring-fencing)	Consent to provide common services to other members of NGT plc group (except NGC) and provision of such services shall not count towards the calculation of either de-minimis threshold for the purposes of paragraph 4 of SpC 2, provided an appropriate indemnity is place issued 16/10/02.	Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing) IDN licensees.
Special Condition 5 (Cross-Default Obligations)	General consent to agreements using subcontractors to carry out permitted purpose activities that may lead to cross default obligations issued 11/07/03.	Standard Special Condition A39 (Indebtedness) for IDN licensees.
Special Condition 5 (Cross-Default Obligations)	Consents issued 13.12.99, 13.09.00, 25.05.00 and 25.03.02 in respect of Cross Default Obligations continue to remain in force issued 23/10/02.	Standard Special Condition A39 (Indebtedness) (in respect of the 25.05.00 consent only) IDN licensees.

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Special Condition 5 (Cross-Default Obligations)	Cross-defaults; land and property issued 23/10/02.	Standard Special Condition A39 (Indebtedness) for IDN licensees.
Amended Special Condition 23 (Provision of Metering and Meter Reading Services)	Transco is relieved of its obligations relating to meter reading services at non-daily metered supply points issued 12/08/03.	Standard Special Condition A43 (Provision of Metering and Meter Reading Services) for RDN licensee.
Special Condition 26 (Prohibited Procurement Activities)	Consent to the purchase of liquid propane gas by Transco for resale on the Isle of Lewis issued 23/10/02.	Standard Special Condition D4 (Prohibited Procurement Activities) for the Scotland IDN licensee.
Amended Standard Condition 4E para 4 (Requirement to Enter into Transportation Arrangements in Conformity with Network Code) Amended Standard Condition 9 para 15 (Network Code)	Consent that definition of “transportation arrangements” should refer only to methane issued 01/03/96.	Standard Special Condition A7 para 4 (Requirement to Enter into Transportation Arrangements in Conformity with Network Code) Standard Special Condition A11 para 22 (Network Code and Uniform Network Code) for RDN and IDN licensees.
Amended Standard Condition 29 (Disposal of Assets)	Consent to enter into an agreement or arrangement whereby operational control of a transportation asset cease to under the sole control of Transco plc without giving prior notice issued 16/10/02.	Standard Special Condition A27 (Disposal of Assets) for RDN licensee.
Special Condition 27 para 10 (Licensee's Procurement and Use of System Management Services)	Authority to approve date and manner of publication of statements prepared under para 3 and 5 (PGs & SMPS).	Standard Special Condition D5 para 10 (Licensee's Procurement and Use of System Management Services) for RDN and IDN licensees.

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Special Condition 27 para 3 (Licensee's Procurement and Use of System Management Services)	Authority to approve form of statement of system management services (Procurement Guidelines).	Standard Special Condition D5 para 3 (Licensee's Procurement and Use of System Management Services) for RDN and IDN licensees.
Special Condition 27 para 5 (Licensee's Procurement and Use of System Management Services)	Authority to approve form of statement of system management services principles (System Management Principles Statement).	Standard Special Condition D5 para 5 (Licensee's Procurement and Use of System Management Services) for RDN and IDN licensees.
Standard Condition 7 para 8 (Provision of Information Relating to Gas Illegally Taken)	Authority to approve reasonable endeavours document.	Condition 7 para 8 (Provision of Information Relating to Gas Illegally Taken) for RDN and IDN licensees.
Amended Special Condition 23 para 5 (Provision of Metering and Meter Reading Services)	Authority to approve form of statement for metering and meter reading services	Standard Special Condition A43 (Provision of Metering and Meter Reading Services) for RDN and IDN licensees.

### Schedule 3

#### Licence related instruments to be issued to Transco plc in respect of both its NTS Licence and its RDN licences

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Special Condition 2 (Restriction on Activity and Financial Ring-fencing)	Consent to exclude revenue from certain activities from the <i>de minimis</i> limit.	Standard Special Condition A36, para 3(d) (Restriction on Activity and Financial Ring-fencing)
Special Condition 5 (Cross Default Obligations)	Consent from Authority for licensee to have in effect an agreement or arrangement incorporating a cross default obligation.	Standard Special Condition A39 (Indebtedness)
Special Condition 2, para 2 (Restriction on Activity and Financial Ring-fencing)	Consent to raise finance for de minimis activities through a subsidiary.	Standard Special Condition A36, para 2 (Restriction on Activity and Financial Ring-fencing)
Special Condition 5, para 1(d) (Cross Default Obligations)	Consent for cross default obligations created at time of project Schooner (i.e. 13 Dec 1999)	Standard Special Condition A39, para 1(b) (Indebtedness)
Amended Standard Condition 47, para 1 (Indebtedness)	Consent for cross default for subsidiaries for certain permitted purposes.	Standard Special Condition A39, para 1(c) (Indebtedness)
Special Condition 2 (Restriction on Activity and Financial Ring-fencing)	Transco / Transco Holdings consent regarding money transfers with effect from 23.10.02 issued on 23/10/02.	Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing)
Special Condition 2(3)(d) (Restriction on Activity and Financial Ring-fencing)	Consent to provide common services to NGC plc and provision of such services shall not count towards the calculation of either de-minimis threshold for the purposes of paragraph 4 of SpC 2 issued on 16/10/02.	Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing)
Special Condition 2(3)(d) (Restriction on Activity and Financial Ring-fencing)	Consent to provide common services to other members of NGT plc group (except NGC) and provision of such services shall not count towards the calculation of either de-minimis threshold for the purposes of paragraph 4 of SpC 2, provided an appropriate indemnity is place issued on 16/10/02.	Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing)
Special Condition 2 (Restriction on Activity and Financial Ring-fencing)	Consent to retain investments in C4 Gas NV and Joint Radio Company Ltd issued on 23/10/02.	Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing)

Relevant provision in existing Transco Licence	Relevant requirement	Licence provision
Amended Standard Condition 47 (Indebtedness)	Pre-relevant date guarantees that may be retained by Transco plc issued 11/07/03.	Standard Special Condition A39 (Indebtedness)
Amended Standard Condition 47 (Indebtedness)	Transco / Transco Holdings consent regarding money transfers with effect from 23.10.02 issued 23/10/02.	Standard Special Condition A39 (Indebtedness)
Amended Standard Condition 47 (Indebtedness)	Derogation in respect of indebtedness between Transco and Transco Holdings as a consequence of the restructuring of BG plc (project Schooner) issued 30/09/99.	Standard Special Condition A39 (Indebtedness)
Amended Standard Condition 47 (Indebtedness)	Consent in respect of indebtedness between Transco and Transco Holdings as a consequence of the transfer of First Connect from Transco plc issued 25/03/02.	Standard Special Condition A39 (Indebtedness)
Amended Standard Condition 47 (Indebtedness)	Consent in respect of indebtedness between Transco and Transco Holdings as a consequence of the transfer of the Isle of Grain LNG Storage facility from Transco plc issued 30/07/03.	Standard Special Condition A39 (Indebtedness)
Special Condition 5 (Cross Default Obligations)	General consent to agreements using subcontractors to carry out permitted purpose activities that may lead to cross default obligations issued 11/07/03.	Standard Special Condition A39 (Indebtedness)
Special Condition 5 (Cross Default Obligations)	Consents issued 13.12.99, 13.09.00, 25.05.00 and 25.03.02 in respect of Cross Default Obligations continue to remain in force issued 23/10/02.	Standard Special Condition A39 (Indebtedness)
Special Condition 5 (Cross Default Obligations) Special Condition 2 (Restriction on Activity and Financial Ring-fencing)	Cross-defaults; land and property issued 23/10/02.  Consent to exclude revenue from certain activities from the <i>de minimis</i> limit.	Standard Special Condition A39 (Indebtedness) Standard Special Condition A36, para 3(d) (Restriction on Activity and Financial Ring-fencing)

## Schedule 4

### Licence related instruments to be exempt from the blanket revocation

The following consents shall be exempt from the blanket revocation and shall therefore continue in full force and effect (according to their terms) in relation to the relevant licence.

<b>Licence condition under which LRI granted</b>	<b>LRI</b>	<b>Licence provision</b>
Special Condition 36 (LDZ incentive scheme and performance reporting)	Approval of terms of reference for customer satisfaction survey issued 12/04/05 (for the RDN and IDN licensees).	Standard Special Condition D9 (Distribution Network transportation activity incentive scheme and performance reporting)
Special Condition 27 para 3 (Licensee's procurement and use of system management services)	Authority to approve form of statement of system management services (Procurement Guidelines) issued 01/04/05 (for the NTS licensee).	Special Condition C5 para 3 (Licensee's procurement and use of system management services)
Special Condition 27 para 4 (Licensee's procurement and use of system management services)	Authority to approve form of report on purchases of system management services (Procurement Guidelines Report) (for the NTS licensee).	Special Condition C5 para 4 (Licensee's procurement and use of system management services)
Special Condition 27 para 5 (Licensee's procurement and use of system management services)	Authority to approve form of statement of system management services principles (System Management Principles Statement) issued 01/04/05 (for the NTS licensee).	Special Condition C5 para 5 (Licensee's procurement and use of system management services)
Special Condition 27 para 11 (Licensee's procurement and use of system management services)	Authority to approve date and manner of publication of statements prepared under para 3,5,6 (PGs, SMPS & SyMSAD) (for the NTS licensee).	Special Condition C5 para 11 (Licensee's procurement and use of system management services)
Special Condition 34 para 2 (Licensee's methodology for determining incremental entry capacity volumes)	Authority to approve form of incremental entry capacity release methodology statement before 1st July each year (for the NTS licensee).	Special Condition C15 para 2 ((Licensee's methodology for determining incremental entry capacity volumes)
Special Condition 29 para 3 (Allocation of revenues and costs for calculations under the price control)	Form of allocation/attribution statement (for the NTS licensee).	Special Condition C9 para 3 (Allocation of revenue and costs for calculations under the price control in respect of the NTS system operation activity)
Special Condition 27 para 6(b)(i) (Licensee's procurement and use of system management services)	Authority approval of adjustment data methodology (SyMSAD) statement (for the NTS licensee).	Special Condition C5 para 6(b)(i) (Licensee's procurement and use of system management services)
Special Condition 27 para 6(b)(ii) (Licensee's procurement and use of system management services)	Authority approval of adjustment data methodology (SyMSAD) statement (for the NTS licensee).	Special Condition C5 para 6(b)(ii) (Licensee's procurement and use of system management services)
Special Condition 27 para 7(b) (Licensee's procurement and use of system management services)	Authority approval of scope and objectives of auditor investigation (System Management Principles Audit Report) (for the NTS licensee).	Special Condition C5 para 7(b) (Licensee's procurement and use of system management



Licence condition under which LRI granted	LRI	Licence provision
		services)
Special Condition 28B paragraph 14(9)(h) (Restriction of Revenue in Respect of the NTS Transportation Owner Activity, Distribution Network Transportation Activity and NTS System Operation Activity)	Authority approval of a methodology for purpose of NTS linepack (for the NTS licensee).	Special Condition C8B, para 14 (9)(h) (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity)
Amended Standard Condition 4E (Requirement to Enter into Transportation Arrangements in Conformity with Network Code)	Temporary derogation to paragraph 5 of ASC 4E, enabling Transco to enter into proposed confidentiality agreements with producers without risk of breaching the licence dated 14 October 2004 (for the NTS licensee).	Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with Network Code) as augmented by Special Condition C1 (Amendments to Standard Special Conditions relating to LNG)
Special Condition 34 para 2 (Licensee's methodology for determining incremental entry capacity volumes)	Authority approval of manner of publication of incremental entry capacity release methodology statement (for the NTS licensee)	Special Condition C15 (Licensee's methodology for determining incremental entry capacity) para 10
Special Condition 29 para 5(b) (Allocation of revenues and costs for calculations under the price control.)	Authority to approve scope/objective of audit (for the NTS licensee).	Special Condition C9 para 5(b) (Allocation of revenues and costs for calculations under the price control.)
Special Condition 35 para 3 (Licensee's methodology for determining incremental entry capacity volumes)	Authority to approve scope/objectives of audit of methodology (for the NTS licensee).	Special Condition C15 para 3 (Licensee's methodology for determining incremental entry capacity volumes)
Amended Standard Condition 29 (Disposal of Assets)	Consent to Transco's application to dispose of four of its gas distribution networks dated 31 January 2005 (including for the avoidance of doubt all further decisions relating to the conditions on which this consent was granted) (for the NTS, RDN and IDN licensees)	Standard Special Condition A27 (Disposal of Assets)
Special Condition 25A (Assignment of Licence)	Consent to Transco's application to transfer four of its gas transporters licences to four wholly owned granted on 25 April 2005 to come into effect on 1 May or such other date as the Authority may direct (for the NTS, RDN and IDN licensees).	Special Condition 25A (Assignment of Licence)
Standard Condition 2 (Application of Section C (Transportation Services Obligations))	Transportation Services Direction issued in order to bring into effect certain standard conditions contained in Section C dated November 2004 (RDN and IDN licensees)	Standard Condition 2 (Application of Section C (Transportation Services Obligations))
Special Condition 18 para 3 (Conveyance to Independent Systems)	Approval granted on 1 March 1996 (under cover of letter dated 27 February 1996) in relation to the conveyance of propane or butane from certain bulk supply points (for the NTS, RDN and IDN licensees).	Standard Special Condition A27 (Disposal of Assets)
Amended Standard Condition 9 (Network Code)	Designation of the independent market for balancing.	Standard Special Condition A11 (Network Code) as augmented by Special Condition C6

Licence condition under which LRI granted	LRI	Licence provision
		(Independent Market for Balancing)

## Annex 1

### Directions to be issued by the Authority

Standard Special Condition D3 para3 (b) (Long term development statement)	Direction to provide other gas transporters with a copy of the LTDS to be issued to RDN and IDN licensees
Standard Special Condition D3 para3 (c) (Long term development statement)	Direction on form and manner of production of summary of LTDS to be issued to RDN and IDNs licensees
Special Condition E11 para 1(Amendment to Credit Rating of the Licensee)	Authority to give permission for appropriate alternative arrangements to investment grade issuer credit rating to be issued to IDNs licensees
Special Condition C2 para 1(a) (Long term development statement)	LTDS to cover any other pipe-line directed by the Authority to be issued to NTS
Special Condition C2 para 1 (Long term development statement)	Direction from Authority to prepare LTDS to be issued to NTS licensee
Special Condition D3 para 1 (Long term development statement)	Direction from Authority to prepare LTDS to be issued to RDN and IDN licensees
Special Condition C2 para 3 (b) (Long term development statement)	Direction on form and manner of production of summary of LTDS to be issued to NTS licensee
Standard Condition 4B para 11 Connection Charges etc	Direction to furnish the Authority with connection charges methods and principles methodology etc statement to be issued to NTS licensee
Standard Condition 4B para 3 Connection Charges etc	Direction to furnish the Authority with connection charges methods and principles methodology etc statement to be issued to RDN and IDN licensees
Standard Special Condition A5 para 7 (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code)	Direction concerning publication of information on costs incurred in transportation businesses or charging methodology to be issued to NTS, RDN and IDN licensees
Standard Condition 7 para 3 (Provision of information relating to gas illegally taken	Designation of scheme to amend charging conditions to be issued to NTS, RDN and IDN licensees