



*Bringing choice and value
to customers*

The Company Secretary

Transco plc

1-3 Strand

London

WC2N 5EH

GAS TRANSPORTERS LICENCE

SPECIAL CONDITION C2: Long Term Development Statement

Direction issued by the Gas and Electricity Markets Authority pursuant to Special Condition C2: Long Term Development Statement

WHEREAS:

- (a). Transco plc ("Transco"), a company registered in England and Wales with company number 2006000 and registered at 1-3 Strand, London WC2N 5EH ("the licensee") is the holder of a gas transporters licence ("the licence") treated as granted 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 in respect of the National Transmission System ("NTS").
- (b). Pursuant to a direction issued today by the Authority (the "modification direction"), certain modifications to the licence have been implemented. Such modifications included inter alia the introduction of Special Condition C2 (the "new condition") and the removal of Amended Standard Condition 25 (the "old condition").
- (c). Pursuant to paragraph 1 of the new condition, the licensee shall comply with a direction by the Authority to prepare an annual statement, in respect of the NTS, in such form and at such a time as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with 1 October, such information by way of forecasts of the use likely to be made of the pipe-line system to which this licence relates, of any such facilities as are

mentioned in paragraph 6 and of any other pipeline system directed by the Authority; and the likely developments of that system, those facilities and those other pipeline systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to that system and in pursuance of transportation arrangements.

- (d). Pursuant to paragraph 3(b) of the new condition, the licensee shall, in such form and manner as the Authority may direct, publish such a summary of each statement or, as the case may be, of a revision of the statement as will assist a person in deciding whether to ask for a copy of the version mentioned in sub-paragraph (c) of the new condition.
- (e). Ofgem has consulted upon proposed licence conditions relating to Long Term Development Statements for the NTS and each Distribution Network (“DN”) and received a number of responses in relation to its consultations.
- (f). Having carefully considered terms of the condition and the responses it has received to its consultations, the Authority is minded to direct on the terms and conditions set out in this letter:

NOW THE AUTHORITY HEREBY DIRECTS AS FOLLOWS:-

1. Subject to paragraph 5 below and having regard to the responses received by the Authority to its open letter of 8 March 2005 and for the purpose of ensuring comparability over time between the statement prepared by the licensee and by the licensees of the DNs, the Authority in accordance with the new condition hereby directs the licensee to prepare an annual statement by 31 December 2005 and each subsequent year by 31 December in the form set out in Annex A to this direction. The form of the statement, prepared in accordance with the Annex, should follow as far as is reasonably possible the current format employed by Transco plc in preparing the Transportation Ten Year Statement, including units of measurement, formatting of tables, categories of information provided, demand and supply assumptions and discuss how these demand and supply assumptions are used. The Authority requests that the licensee publish its prepared annual statement on a publicly available website that will secure adequate publicity for it.

2. Pursuant to paragraph 3(b) of the new condition, the Authority directs the licensee to publish a summary of the statement which shall include the executive summary of the statement, as set out in Annex A to this direction, on a publicly available web-site in such manner as will secure adequate publicity for it.
3. The Authority anticipates that in producing such a statement pursuant to paragraph 1 of the new condition, Transco plc, as the licensee for the NTS, and the licensees of the DNs will consult each other regarding relevant assumptions including demand and supply assumptions of the NTS and the DNs. The Authority expects the licensee to consider, and wherever appropriate incorporate information from, the long term development statements prepared by the eight distribution networks (pursuant to their Standard Special Condition D3) when preparing the NTS long term development statement. The Authority further expects the licensee to keep the form of the statement under review to take account of developments in the operation and management of the DNs and the NTS.
4. This direction shall take effect on and from the date specified below and shall continue until revoked, or amended by the Authority following consultation with the licensee on giving six months prior written notice to the licensee or such other period as may be agreed in writing between the Authority and the licensee.

Dated the 1 May 2005

Andrew Walker
Director, Transmission Networks Regulation

Duly authorised by the Authority

Annex A – Form of Long Term Development Statement

The statement should consist of, but is not limited to, the following sections:

- 1. Executive Summary**
- 2. Document Scope**
- 3. Demand**
- 4. Supply**
- 5. NTS Capacity Provision and Investment**
- 6. Commercial Developments**
- 7. Appendices**