

Transmission price control review: Draft licence conditions (gas) - second informal consultation – Appendix 6

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Target audience: This document will be of interest to network owners and operators, generators, shippers, suppliers, customers and other interested parties.

Overview:

In December 2006 we published our final proposals following our review of the price controls of the four transmission companies in electricity and gas. Our proposals have now been accepted in principle by the companies and will take effect from 1 April 2007. To give effect to our proposals we need to amend the licences of each of the four companies, including the licence of National Grid Gas. Throughout the process we have engaged the licensees to develop licence drafting that accurately reflects our final proposals, and serves to enhance the clarity and robustness of the existing licence provisions.

We expect to continue to utilise bilateral discussions from now until the publication of our formal notices to further develop the licence drafting. Please note that the drafting will be subject to further review following our bilateral meetings with the licensees, and is therefore subject to change.

This document is our second informal consultation on the detailed changes that we propose to make to the licences of the National Grid Gas NTS (NGG NTS). There are a few amendments that require further work and will be subject to a further consultation in due course.

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Context

Over the past two years we have been in the process of reviewing the price controls of the four transmission companies we regulate. The price controls determine how much revenue each of the companies is permitted to recover, generally over a five year period. This is an important process to ensure we continue to regulate network monopolies effectively by implementing provisions so that the companies can finance their activities and by providing the companies with the right set of financial incentives to act in the interests of consumers.

This process has now concluded with the publication of our final proposals in December 2006. In order to give effect to our proposals, however, we must modify the transmission licences held by each of the companies. The licences are the means by which the companies are bound to the terms of our new price controls. It is important therefore that the licences reflect our policy as set out in the final proposals document in an accurate and unambiguous manner. The process of consultation on the draft licence conditions is designed to ensure that these aims are met.

Associated Documents

- TPCR 2007-2012 Draft licence conditions – NGET Transmission Licence Special Conditions - second informal consultation - Appendix 6, January 2007 (Ref No. 10a/07)
- TPCR 2007-2012 Draft licence conditions – SPTL Transmission Licence Special Conditions - second informal consultation - Appendix 7, January 2007 (Ref No. 10b/07)
- TPCR 2007-2012 Draft licence conditions – SHETL Transmission Licence Special Condition - second informal consultation - Appendix 8, January 2007 (Ref No. 10c/07)
- TPCR 2007-2012 Draft licence conditions – Transmission Licence Standard Condition - second informal consultation - Appendix 8, January 2007 (Ref No. 10d/07)
- National Grid Electricity Transmission and National Grid Gas System Operator Incentives from 1 April 2007, Initial Proposals, December 2006 (Ref No. 208/06)
- TPCR 2007-2012 Final Proposals, Decision Document, December 2006 (Ref No. 206/06)
- TPCR 2007-2012 Final Proposals - Appendices, December 2006 (Ref No. 206/06b)
- TPCR 2007-2012 Draft Licence Modifications, November 2006 (Ref No. 197/06)
- TPCR 2007-2012 Draft Licence Modifications - Appendices, November 2006 (Ref No. 197/06a)
- TPCR 2007-2012 Updated Proposals, September 2006 (Ref No. 170/06)
- TPCR 2007-2012 Updated Proposals - Appendices, September 2006 (Ref No. 170/06a)
- TPCR 2007-2012 Initial Proposals, June 2006 (Ref No. 104/06)

- TPCR 2007-2012 Initial Proposals, Main Appendices, June 2006 (Ref No. 104b/06)
- Access Reform in Electricity Transmission: Working group report and next steps, May 2006 (Ref No. 83/06a)
- A framework for considering reforms to how generators gain access to the GB electricity transmission system: A report by the Access Reform Options Development Group April 2006, May 2006 (Ref No. 83/06b)
- TPCR 2007-2012: Third Consultation, March 2006 (Ref No. 51/06)
- TPCR 2007-2012: Third Consultation, Supplementary Appendices, March 2006 (Ref No. 51/06b)
- TPCR Capital Expenditure Projections 2007-2012 (open letter), 1 February 2006 (Ref No. 21/06)
- TPCR Second Consultation, December 2005 (Ref No. 277/05)
- TPCR Initial Consultation, July 2005 (Ref No. 172/05)

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Appendix 6 – NTS Special Licence Conditions

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

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

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

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

““LNG storage arrangements”	storage	means arrangements whereby gas shippers and / or DN operators may, from time to time and in different cases and circumstances, have gas stored in the LNG storage facilities;”
““LNG storage business”		means the activities of the licensee connected with the development, administration, maintenance and operation of the LNG storage facilities by the licensee for the storage of gas in Great Britain and with the supply of LNG storage services relating to those facilities;”
““LNG storage facilities”		means containers for the storage of LNG operated by the licensee and any other facilities used by the licensee in connection with the storage of LNG in Great Britain which both are operated by the person who holds this licence and were so operated at a time during the period of 12 months ending with 1 March 1996,”
““supply of LNG storage services”		means the undertaking and performance for gain or reward of engagements in connection with the storage of gas in the LNG storage facilities;”
““transportation and LNG storage business”		means the transportation business and the LNG storage business but excluding, for the avoidance of doubt, the metering business and the meter reading business;”

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

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

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

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

(a) if the charges in pursuance of those arrangements are not governed by the methodology established under paragraph 5, the licensee shall avoid any undue preference or undue discrimination in the terms on which it enters into such arrangements; and

(b) if either those charges or any charges made in pursuance of transportation arrangements other than LNG storage arrangements are not governed as aforesaid, the licensee shall ensure so far as is reasonably practicable, that no unjustified cross-subsidy is involved between the terms on which it enters into the LNG storage arrangements and those on which it enters into other transportation arrangements.”

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

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

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

facilities and the Authority's view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 9, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definition of "transportation arrangements" in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect."; and

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

3. **Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)**

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be amended by:

- (a) in addition to the definition set out in paragraph 11, the insertion of the following definition after "In this condition:"

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

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

"12. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the definition of "transportation business" from paragraph 11, then the definition shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the

definition of “transportation business” in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition save that the reference to this condition in the definition of “transportation business” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.”

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

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

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

“3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the reference to LNG storage arrangements in paragraph 2(a) then the reference shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the definition of “transportation business” contained in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition subject to any amendments made by the remaining sections of paragraph 2.”

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

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

USED”:

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

“3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 2, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; the definition of “transportation arrangements” contained in Standard Special Condition A3 shall apply to this condition; and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and interpretation) shall cease to have effect”.

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

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

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

“21. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the

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

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

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

- (a) the insertion of the following definition of LNG storage asset in paragraph 6 between the definitions of “disposal” and “relevant premises”:

““LNG storage asset”	means any of the LNG storage facilities or anything used by the licensee in connection with the provision of such facilities;” and
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- (b) the insertion of the words “any LNG storage asset and/or” after the word “means” in the definition of “transportation asset” in paragraph 6; and
- (c) inserting the following new paragraph 7,

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

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

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

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- (a) the insertion of the words “the LNG storage business” in sub-paragraph 1 (b) in substitution for the words “NOT USED”;
 - (b) the insertion of the words “the LNG storage business,” after “regulatory accounts for” in paragraph 12; and
 - (c) the insertion of the following in paragraph 14 in substitution for the words “NOT USED”:

“14. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and the Authority’s view on that question, considers it appropriate that this condition be modified by the omission of sub-paragraph 1(b) and references to “LNG storage business” then these omissions shall be made with effect from the date specified in a notice published by the Authority for that purpose.”

9. **Amendments to Standard Special Condition A32 (Definition of Permitted Purpose)**

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

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

Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) shall be amended:

- (a) by the insertion of the words “LNG storage business and” between the words “also includes the licensee’s” and “metering business other than its meter-related services business” in the definition of “transportation business” in paragraph 1; and
- (b) by the insertion of the following new paragraph 10:

“10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the reference to “LNG storage business” in the definition of “transportation business” in paragraph 1 of this condition, then that reference shall be omitted with effect from a date specified in a notice published by the Authority for that purpose.”

11. **Amendments to Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing)**

Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) shall be amended by:

- (a) the insertion of “the LNG storage business, ” after the words “the transportation business, ” in paragraph 4(b)(i); and
- (b) by the insertion of the following new paragraph 7:

“7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the reference to “LNG storage business” in paragraph 4(b)(i) and shall be construed as if the definition of “permitted purpose” made no reference to “LNG storage business”, then for the purpose of this condition, that reference shall be omitted and the definition of “permitted purpose” shall be so construed with effect from a date specified in a notice published by the Authority for that purpose.”

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

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

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- (a) in paragraph 1(a) by the substitution of the words “transportation and LNG storage business” for the words “transportation business”; and
 - (b) by the addition of the following in paragraph 8 in substitution for the words “NOT USED”:

“8. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be construed as if the definition of “the transportation and LNG storage business” made no reference to the “LNG storage business” then for the purpose of this condition, with effect from the date specified in a notice published by the Authority for that purpose, the definition of “the transportation and LNG storage business” shall be so construed and shall be treated as being the “transportation business” only.”

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

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

Special Condition C1A: NTS definition of supply of transportation services

Amendments to Standard Special Condition A3 (Definitions and Interpretation)

1. The definition of “supply of transportation services” in Standard Special Condition A3 (Definitions and Interpretation) shall be amended by the substitution of the following words in sub-paragraph (c) (i) for the existing wording in that paragraph:

“(i) facilitating balancing management; and”

Special Condition C2: Long Term Development Statement

1. The licensee shall comply with a direction given by the Authority to prepare an annual statement, in such form and at such a time as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with 1 October, such information by way of forecasts of -
 - (a) the use likely to be made of the pipe-line system to which this licence relates, of any such facilities as are mentioned in paragraph 6 and of any other pipe-line system directed by the Authority; and
 - (b) the likely developments of that system, those facilities and those other pipe-line systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to that system and in pursuance of transportation arrangements,

as it is reasonably practicable for the licensee to provide and which will assist a person who contemplates -
 - (i) seeking the connection of a pipe-line of his to the pipe-line system to which this licence relates or another gas transporter's pipe-line system;
 - (ii) entering into transportation arrangements with the licensee; or
 - (iii) seeking the connection of the pipe-line system to which this licence relates or another gas transporter's pipe-line system to premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year,

in identifying and evaluating the opportunities for doing so.
2. Except in so far as the Authority consents to the licensee not doing so, the licensee shall use its reasonable endeavours to prepare a revision of any statement prepared under paragraph 1 so as to ensure that the information in the statement is up to date.
3. The licensee shall, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 4 below -

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- (a) furnish the Authority with a copy of each statement prepared under paragraph 1 and of each revision of the statement prepared under paragraph 2;
 - (b) in such form and manner as the Authority may direct, publish such a summary of each statement or, as the case may be, of a revision of the statement as will assist a person in deciding whether to ask for a copy of the version mentioned in sub-paragraph (c); and
 - (c) prepare a version of each statement or revision which excludes, so far as is practicable, any such matter as is mentioned in paragraph 4 and send a copy thereof to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof.
 4. In complying with the requirements of paragraph 3(b), the licensee shall have regard to the need for excluding, so far as is practicable, any matter which relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect his interests.
 5. Any question arising under paragraph 4 as to whether the publication of some matter which relates to the affairs of a person would or might seriously and prejudicially affect his interests shall be determined by the Authority.
 6. In this condition “transportation arrangements” has the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall also include LNG storage arrangements.
 7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 6, then the paragraph shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for that purpose and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.
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Special Condition C3: Restriction of Prices for LNG Storage Services

1. (1) Except with the Authority's prior written consent, the licensee shall ensure that the charges made for the supply of LNG storage services in the formula year commencing on 1 April 1999 are the charges set out in Tables 1 and 2 below.

TABLE 1

LNG Facility	Reserved space (pence per kWh per annum)	Reserved deliverability (pence per peak day kWh per annum)	Storage injection (pence per kWh)	Storage withdrawal (pence per kWh)
Glenmavis	[1.365]	[0.986]	[0.279]	[0.012]
Dynevor Arms	[2.272]	[1.452]	[0.198]	[0.017]
Isle of Grain	[0.957]	[0.730]	[0.290]	[0.019]
Avonmouth	[1.170]	[1.076]	[0.190]	[0.019]
Partington	[0.869]	[0.795]	[0.258]	[0.017]

TABLE 2

TANKER CHARGES	
Glenmavis tanker filling slots	[£2,750 per annum]
Glenmavis tanker filling charge	[£200 per tanker filled or partially filled]

- (2) Except with the Authority's prior written consent, the licensee shall ensure that the charges made for the supply of LNG storage services in each formula year commencing on or after 1 April 2000 are the charges set out in the table in subparagraph 1(1) above.

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- (3) For each formula year for which the licensee charges for the supply of LNG storage services in accordance with this paragraph 1 the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied for that formula year with the provisions of Standard Special Conditions A4 (Charging - General) and A5 (Obligations as Regard Charging Methodology).

[REQUIRES A SUNSET CLAUSE TO DIS-APPLY AFTER 2 YEARS]

- 2 (1) This condition shall apply for so long as this licence continues in force, but shall cease to have effect if -
- (a) the licensee delivers to the Authority a written request made in accordance with sub-paragraph (2) below (“disapplication request”) and the Authority agrees in writing to the disapplication request; or
 - (b) its application is terminated by notice given by the licensee in accordance with either sub-paragraph (3) or sub-paragraph (4) below.
- (2) Any disapplication request shall be in writing, addressed to the Authority, and shall state the date (“disapplication date”) from which the licensee wishes the Authority to agree that this condition shall cease to have effect, but the disapplication date therein shall not be before the later of any date which is not less than 18 months after the date upon which the disapplication request is delivered to the Authority. The licensee may at any time withdraw a disapplication request.
- (3) If
- (a) the Authority has not made a reference to the Competition Commission under Section 24(1) of the Act relating to the modification of this condition before the beginning of the period of 12 months which will end with the disapplication date; and
 - (b) the licensee has not withdrawn the disapplication request
- the licensee may deliver written notice to the Authority terminating the application of this condition with effect from the disapplication date or a later date, save that no such notice may take effect before the end of a period of 12 months from the date of delivery of that notice to the Authority.

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- (4) If the Competition Commission makes a report on a reference by the Authority relating to the modification of this condition after a disapplication request, and such report does not include a conclusion that the cessation of this condition, in whole or in part, operates, or may be expected to operate against the public interest, the licensee may within thirty days after the publication of the report by the Authority deliver to it written notice terminating the application of the condition with effect from the disapplication date or a later date.

Special Condition C4: Prohibited Procurement Activities

1. Subject to paragraph 2, the licensee shall not either on its own account or on behalf of:
 - (a) any affiliate or related undertaking of the licensee; and/or
 - (b) any other business operated by the holder of this licence or its affiliates or related undertakings under a separate gas transporter licence for a relevant gas transporter,

purchase, enter into agreements for or otherwise acquire capacity rights, gas or gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties, and the licensee shall procure that anyone specified in sub-paragraphs (a) and (b) shall not undertake such transactions on its own account, or on behalf of the licensee, or of anyone specified in sub-paragraphs (a) and (b).
2. The prohibition in paragraph 1 of this condition shall not apply if the transactions referred to in paragraph 1 are undertaken:
 - (a) by an affiliate or related undertaking of the licensee each on its own account or on behalf of affiliates or related undertakings specified in paragraphs 1(a) and 1(b) other than the licensee, provided that, in respect of each case, such affiliate or related undertaking holds a relevant licence, issued by the Authority, or is otherwise exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;
 - (b) with the prior written consent of the Authority;
 - (c) in accordance with the licensee's functions under the network code; or
 - (d) by the licensee on its own account for the purpose of facilitating balancing management and/or constraint management provided that such transactions:
 - (i) are conducted on economic and efficient terms, and
 - (ii) facilitate the economic and efficient operation of the transportation system.

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

1. The licensee shall operate the pipe-line system to which its licence relates in an efficient, economic and co-ordinated manner.
2. The licensee shall ensure that it and its affiliates or related undertakings (and/or any other business operated by the holder of this licence or its affiliates or related undertakings under a separate gas transporter licence for a relevant gas transporter) shall neither unduly discriminate nor unduly prefer in its procurement or use of system management services as between any persons or classes of persons.
3. The licensee shall before 1 October 2002 or such later date as the Authority may direct in writing and thereafter before 1 April in each subsequent formula year (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out (consistently with the licensee's duties under paragraph 1 and 2 of this condition and consistently with its other duties under the Act, and the standard, Standard Special and Special Conditions) the kinds of system management services which it may be interested in purchasing in the period until the next statement is due, to be published pursuant to paragraph 11(a) in this condition and the mechanisms by which it envisages purchasing, entering into or otherwise acquiring them, and the licensee shall revise such statement during any such period if its intentions change during that period.
4. Within one month after the date on which each statement, prepared pursuant to paragraph 3 of this condition (other than the first one) is due to be published pursuant to paragraph 11(a) of this condition ("the due date"), the licensee shall prepare a report in a form approved by the Authority in respect of the system management services which the licensee has bought or acquired in the period of 12 months (or such longer period as the Authority may approve or require) ending on the due date.

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5. The licensee shall before 1 October 2002 or such later date as the Authority may direct in writing, prepare a statement in a form approved by the Authority setting out the principles and criteria (consistent with the licensee's duties under paragraph 1 and 2 of this condition and consistent with its other duties under the Act, and the standard, Standard Special and Special Conditions) by which the licensee will determine, at different times and in different circumstances, which system management services the licensee will use to assist it in the operation of the NTS, and for what purpose, and when the licensee would resort to measures not involving the use of system management services in the operation of the NTS.
6. (a) This paragraph applies where the network code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of relevant system management services.
- (b) Where this paragraph applies the licensee shall:
- (i) before 1 October 2002, or such later date as the Authority may direct establish a system management services adjustment data methodology approved by the Authority;
 - (ii) prepare a statement of the prevailing system management services adjustment data methodology as approved by the Authority;
 - (iii) from time to time thereafter, when the licensee first buys, sells or acquires any relevant system management services of a kind or under a mechanism which is not covered by the prevailing system management services adjustment data methodology, promptly seek to establish a revised system management services adjustment data methodology approved by the Authority which covers those kinds of system management services mechanisms for buying, selling or acquiring them; and
 - (iv) at all times determine and provide (for use under the relevant provisions of the network code) the costs and volumes of relevant system management services in compliance with the prevailing system management services

adjustment data methodology, which are to be taken into account in determining charges relating to system management services under the network code.

- (c) Except where the Authority directs otherwise, before revising the system management services adjustment data methodology the licensee shall:
- (i) send a copy of the proposed revisions to the Authority and to any person who asks for one;
 - (ii) consult gas shippers and allow them a period of not less than 28 days in which to make representations;
 - (iii) consult DN operators where there is a potential impact upon NTS exit flat capacity or NTS exit flow flexibility and allow them a period of not less than 28 days in which to make representations;
 - (iv) within 7 days of the close of the consultation referred to in sub-paragraphs 6(c)(ii) and 6(c)(iii) of this condition submit to the Authority a report setting out:
 - the revisions originally proposed,
 - the representations (if any) made to the licensee,
 - any change to the revisions; and
 - (v) where the Authority directs that sub-paragraphs (i), (ii), (iii) and (iv) of this paragraph or any of them shall not apply, comply with such other requirements as are specified in the direction.
- (d) The licensee shall not revise the system management services adjustment data methodology:

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- (i) where sub-paragraph 6 (c)(v) of this condition applies, before the day (if any) specified in the direction made pursuant to that sub-paragraph;
 - (ii) where there is no such direction, or no date is specified in such direction, until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph 6(c)(iv) in of this condition; or
 - (iii) if within the period referred to in sub-paragraph 6(d)(ii) of this condition the Authority directs the licensee not to make the revision.
7. (a) The licensee shall as soon as practicable after the end of each formula year prepare a report on the manner in which and the extent to which the licensee has, during that formula year, complied with the statement prepared pursuant to paragraph 5 of this condition and whether any modification should be made to that statement to reflect more closely the practice of the licensee.
- (b) The report shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to paragraph 5 of this condition.
8. (a) The licensee shall if so directed by the Authority but in any event at least once a year review the statement prepared pursuant to paragraph 5 of this condition in consultation with gas shippers and/or DN operators and other interested persons likely to be affected thereby and allow them a period of not less than 28 days in which to make representations.
- (b) Within 7 days of the close of the consultation referred to in paragraph 8(a) of this condition, the licensee shall send to the Authority:
- (i) a report on the outcome of the review;

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- (ii) any revision to the statement proposed (having regard to the outcome of the review) by the licensee in order to ensure that the statement remains consistent with the licensee's duties under the Act and the standard conditions, Standard Special Conditions and Special Conditions; and
 - (iii) any written representations or objections from gas shippers and/or DN operators and other interested parties, including proposals for revision not accepted by the licensee, arising during the consultation and subsequently maintained.
- (c) The licensee may revise the statement only in accordance with any revision within sub-paragraph 8(b)(ii) of this condition, and only if the Authority consents to such revision.
9. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 5 of this condition.
10. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 3, 4, 5, 6, 7 and 8 of this condition and of all revisions to any such statements and reports.
11. The licensee shall:
- (a) publish by such date (and in such manner) as the Authority may approve the statements prepared pursuant to paragraphs 3, 5 and 6 of this condition and each revision thereof; and
 - (b) send a copy of each statement and report prepared pursuant to paragraphs 3, 4, 5, 6, 7 and 8 of this condition or the latest revision of any such statement and report to any person who requests the same, provided that the licensee shall exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,

and, for the purposes of paragraph 11(b) of this condition, the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

12. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 11(b) of this condition of an amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

13. The licensee shall, unless the Authority otherwise consents, maintain for a period of seven years:

- (a) particulars of all system management services offered to it;
- (b) particulars of all contracts for system management services which it entered into;
- (c) records of all system management services called for and provided; and
- (d) records of quantities of gas transported through the NTS.

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

15. In this condition:

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

“relevant system management services” means system management services other than:

- (a) those which the licensee has acquired through a

balancing trade, provided that such balancing trade was not made pursuant to any prior agreement;

- (b) those which the Authority directs the licensee not to treat as relevant system management services;

“system management services”

means services in relation to the balancing of gas inputs to and gas off takes from the NTS and includes balancing trades and balancing trade derivatives and constraint management services; and

“system management services adjustment data methodology”

means a methodology to be used by the licensee to determine what costs and volumes of relevant system management services are to be taken into account under the network code for the purposes of determining in whole or in part the charges in any period, which methodology shall cover each of the kinds of system management services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.

Special Condition C6: Independent Market for balancing

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

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

“22B. The licensee shall, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:

- (a) financial resources,
- (b) skilled and experienced personnel, and
- (c) systems

adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.”

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

- (a) a person recognised by the Financial Services Authority under the Financial Services and Markets Act 2000 as an investment exchange;
- or

-
- (b) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”

“22D. If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee shall use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”

Special Condition C7: Charging obligations**1. Amendments to Standard Special Condition A4 (Charging - General)**

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

- (a) the insertion of the words “and/or DN operators as appropriate” after “specified descriptions of gas shippers” in sub-paragraph (a) of paragraph 1; and
- (b) in paragraph 2, the insertion of the following at sub-paragraphs (a) and (b) in substitution for the words “NOT USED”:
 - “(a) use its reasonable endeavours:
 - (i) not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and
 - (ii) not to make any changes to charges or reserve prices in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may by notice in writing direct;
 - (b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in sub-paragraphs (a) (i) and (a) (ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:
 - (i) stating the reasons for this change; and
 - (ii) clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;”

2. Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be amended by:-

- (a) inserting the words “and/or DN operators as appropriate” after “consulted relevant shippers” in sub-paragraph (a) of paragraph 2 and after “made by relevant shippers” in sub-paragraph (b) (ii) of paragraph 2;
- (b) in paragraph 2A, the insertion of the following in sub-paragraph (b) in substitution for the words “NOT USED”:
 - “(b) use its reasonable endeavours:
 - (i) not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and
 - (ii) only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may by notice in writing direct”
- (c) In paragraph 11:
 - (i) the deletion of “and” at the end of the “transportation arrangements” definition;
 - (ii) the deletion of “thereof.” and replacement by “thereof; and” at the end of the “supply of transportation services” definition; and
 - (iii) the insertion of the following definition after the definition of “supply of transportation services”:

“**as appropriate**” means, in the context of consulting DN operators pursuant to sub-paragraphs (a) and (b) of paragraph 2, that DN operators

shall be consulted if a modification to the charging methodology in relation to NTS exit flat capacity and/or NTS exit flow flexibility is proposed by the licensee.

Special Condition C8A: Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity

1. In this condition and in Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity):

allocation	means any process by which entry capacity or NTS exit capacity may be allotted by or on behalf of the licensee in accordance with the network code;
annual 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 less than five years;
average specified rate	means the average of the daily base rates of Barclays Bank PLC current from time to time during the period in respect of which any calculation falls to be made;
clearing allocation	means in respect of a terminal and period an allocation of entry capacity which either: - results in all the capacity offered for sale being sold; or - has a reserve price of zero;
connected system exit point	has the meaning given to that term in the network code;
constrained storage facility	has the meaning given to that term in the network code;
curtailment day	means any day in formula year t in respect of which rights to offtake 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 the network code;

Distribution Network means the relevant gas distribution network defined with reference to the aggregate of its constituent Local Distribution Zones (LDZs) (having the meaning given to that term in the network code) as set out in the table below:

Distribution Network	Local Distribution Zone (LDZ)
Scotland	Scotland
North of England	Northern, North East
North West	North West
East of England	East Midlands, Eastern
West Midlands	West Midlands
Wales & West	Wales North, Wales South, South West
London	North Thames
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;

DM connected system exit point means a daily metered connected system exit point;

DM supply meter point has the meaning given to that term in the network code;

DN Operator [to be inserted]

entry capacity has the meaning given to the term NTS Entry Capacity in

	the network code;
exit capacity curtailment rights	means rights held by the licensee to curtail rights to offtake 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 the network code);
firm entry capacity	means 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 2002 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 relating to the provision of entry capacity other than NTS SO baseline entry capacity;
incremental exit capacity services	means the undertaking of engagements 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;
interruptible entry capacity	has the meaning given to the term interruptible NTS Entry Capacity in the network code;

interruption	has the meaning given to that term in the network code;
kilowatt hour or kWh	means 3,600,000 Joules;
locational actions	means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the OCM. Locational buys will be treated as a cost to the licensee and locational sells will be treated as a revenue;
long-term NTS SO baseline entry capacity	means that proportion of the initial NTS SO baseline entry capacity in respect of each formula year that is available to be sold more than 548 days prior to the first day in respect of which such capacity relates;
NDM connected system exit point	means a non-daily metered connected system exit point;
NDM supply meter point	has the meaning given to that term in the network code;
non-obligated incremental entry capacity	means firm entry capacity other than obligated entry capacity;
NTS baseline firm exit capacity	means in respect of each period the NTS firm exit capacity specified in table A3 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);
NTS baseline exit flat capacity	means in respect of each period the NTS exit flat capacity specified in table A6 of schedule A or subsequently modified (subject to the prior written

	consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);
NTS baseline exit flow flexibility	means in respect of each period the NTS exit flow flexibility specified in table A5 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);
NTS baseline exit shipper capacity	means in respect of each period the NTS exit shipper capacity specified in table A7 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);
NTS baseline interruptible exit capacity	means in respect of each period the NTS interruptible exit capacity specified in table A4 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);
NTS exit capacity curtailment rights	means exit capacity curtailment rights held by the licensee in respect of NTS exit capacity;
NTS exit point	has the meaning given to that term in the network code;
NTS exit shipper capacity	has the meaning given to the term “NTS Exit Capacity” in the network code;

NTS firm exit capacity	means NTS exit capacity other than NTS interruptible exit capacity;
NTS incremental exit capacity	means that NTS exit capacity in excess of NTS baseline firm exit capacity and NTS baseline interruptible exit capacity;
NTS incremental exit flat capacity	means that NTS exit flat capacity in excess of NTS baseline exit flat capacity;
NTS incremental exit flow flexibility	means that NTS exit flow flexibility in excess of NTS baseline exit flow flexibility;
NTS interruptible exit capacity	means NTS exit capacity subject to exit capacity curtailment rights;
NTS incremental exit shipper capacity	means that NTS exit shipper capacity in excess of NTS baseline exit shipper capacity;
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 the licensee 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:

	(i) incremental entry capacity services;
	(ii) incremental exit capacity services;
	(iii) residual gas balancing services;
	(iv) balancing management;
	(v) constraint management services; and
	(vi) the provision of services in relation to gas quality;
NTS system operator revenue or NTS SO revenue	means the revenue derived by the licensee from the carrying on of the NTS SO activity, such revenues to be measured on an accruals basis;
NTS TO baseline entry capacity	means in respect of each terminal and period that terminal's TO baseline firm entry capacity as specified in table A1 of schedule A;
NTS transportation owner activity or NTS TO activity	means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the supply of NTS services;
NTS transportation owner revenue or NTS TO revenue	means the revenue derived by the licensee from the supply of NTS services to gas shippers and DN operators in respect of the NTS transportation owner activity (such revenue to be measured on an accruals basis);
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 the licensee is required to offer for sale in accordance with paragraph 14(5)(b) of

	Part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity);
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;
plus 15 curtailment day	means any curtailment day in formula year t at a given supply point, connected system exit point or storage connection point after the first 15 curtailment days in that formula year for the given supply point, connected system exit point or storage connection point connected to the transportation system to which this licence relates;
residual gas balancing services	means the undertaking of engagements relating to the acquisition or disposal of gas to ensure the safe and efficient operation 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;
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;
storage connection point	has the meaning given to that term in the network code;
subscript t	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;

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

c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:

(i) the balancing of the Distribution Network through the acquisition or disposal of gas to replace gas lost from the Distribution Network; and

(ii) facilitating constraint management;

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

(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 pipe-line system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipe-line 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 the network code;

terminal means an aggregate system entry point (having the meaning given to that term in the network code); and

transportation system means the system (having the meaning given to that term in the network code) to which this licence relates.

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 C8B: The NTS transportation owner activity revenue restriction**1. The principal restriction**

- (a) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year the revenue which it derives from its NTS transportation owner activity (TOR_t) shall not exceed the maximum NTS transportation owner revenue ($TOMR_t$).
- (b) (i) If in respect of any formula year the NTS transportation owner revenue exceeds the maximum NTS transportation owner revenue by more than 4 per cent of the latter, the licensee shall provide to 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 NTS unless either:
- (A) it has demonstrated to the reasonable satisfaction of the Authority that the NTS transportation owner revenue would not be likely to exceed the maximum NTS transportation owner revenue in that next following formula year; or
- (B) the Authority has, on the written application of the licensee, consented to such an increase in prices for use of the NTS.
- (ii) If, in respect of any two successive formula years, the sums of the amounts by which the NTS transportation owner revenue has exceeded the maximum NTS transportation owner revenue are more than 6 per cent of the maximum NTS transportation owner 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 for use of the NTS such that the NTS transportation owner revenue would not be likely in the judgement of the Authority to exceed maximum NTS transportation revenue in that next following formula year.

2. NTS transportation owner revenue (TOR_t)

(a) Principal formula

For the purposes of paragraph 1 of this condition the NTS transportation owner revenue in respect of formula year t (TOR_t) shall be derived from the following formula:

$$\text{TOR}_t = \text{TOREVBEC}_t + \text{TOEXR}_t + \text{TORCOM}_t$$

where:

TOREVBEC_t means the NTS TO revenue derived by the licensee in respect of formula year t from the sale of NTS SO baseline entry capacity and shall be derived from the following formula:

$$\text{TOREVBEC}_t = \text{REVBEC}_t - \text{DREVBEC}_t$$

where:

REVBEC_t means the revenue derived by the licensee in respect of formula year t from the sale of NTS SO baseline entry capacity and shall be derived in accordance with paragraph [] of Special Condition C8D (NTS gas entry incentives, costs and revenues);

DREVBEC_t means the revenue derived by the licensee in respect of formula year t from the on the day sale of NTS SO baseline entry capacity and shall be derived in accordance with paragraph [] of Special Condition C8D (NTS gas entry

incentives, costs and revenues);

$TOExR_t$ means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers and DN operators that is allocated to the NTS transportation owner activity and the revenue derived by the licensee in respect of formula year t from the sale of NTS baseline exit shipper capacity, NTS baseline exit flat capacity and NTS baseline exit flow flexibility and shall be derived in accordance with paragraph 2(a) of Special Condition C8E (NTS gas exit incentives, costs and revenues);

$TORCOM_t$ means the revenue derived by the licensee in respect of NTS TO activities provided by the licensee in respect of formula year t from charges levied on gas shippers and DN operators pursuant to Standard Special Condition A4 (Charging–General) or payments made by the licensee other than revenue earned by the licensee through (i) $TOREVBEC_t$ and (ii) $TOExR_t$.

3. Maximum NTS transportation owner revenue ($TOMR_t$)

(a) Principal formula

For the purposes of paragraph 1 of this condition the maximum NTS transportation owner revenue in respect of formula year t ($TOMR_t$) shall be derived from the following formula:

$$TOMR_t = TOZ_t + TOF_t + TOG_t - TOK_t$$

where:

TOZ_t shall be derived in the following manner:

- (i) In respect of the formula year commencing on 1 April 2007:

$$TOZ_t = \text{£}[\text{xxx}] \times \left[1 + \left(\frac{RPI_0}{100} \right) \right]$$

- (ii) In respect of any formula year commencing on 1 April 2008 or on 1 April in any subsequent year:

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

where:

RPI_0 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 the year

2003 and the arithmetic average of the retail price index numbers published or determined with respect to the six months from July to December in the year 2006;

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 formula year t-2; and

X has the value of zero; and

TOF_t means the NTS TO cost pass-through adjustment and shall be derived in accordance with paragraph 3(b) of this condition.

TOG_t means the NTS TO incentive revenue adjustment and shall be derived in accordance with paragraph 3(c) of this condition.

TOK_t means the NTS TO revenue adjustment equal to the NTS TO over or under recovery in respect of formula year t-1 and shall be derived in accordance with paragraph 3(d) of this condition.

(b) NTS transportation owner cost pass-through adjustment TOF_t

- (i) For the purposes of paragraph 3(a) of this condition, the NTS TO cost pass-through adjustment factor in respect of formula year t (TOF_t) shall be derived in the following manner:

$$TOF_t = Rate_t + L_t + DNDC_t + IS_t$$

where:

$Rate_t$ means the revenue adjustment factor in the formula year t in respect of non domestic rates and shall, subject to subparagraphs (ii) and (iii), be calculated in accordance with the following formula:

$$Rate_t = NDRP_t - NDRA_t$$

where:

$NDRP_t$ means the NTS prescribed rates and shall take a value of 32.6391 % 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 its NTS transportation owner activity and the Distribution Network transportation activity in respect of formula year t

$NDRA_t$ shall be derived as follows:

$$NDRA_t = TORB_t \times PIT_t$$

where:

$TORB_t$ shall take the value set against the formula year t in the following table

Formula year commencing 1 April	2007	2008	2009	2010	2011
TORB _t					

PIT_t is the price indexation adjustment, which shall be calculated using the following formula:

$$PIT_t = \left(1 + \frac{RPI_t}{100} \right) \times PIT_{t-1}$$

where PIT_{t-1} shall take the value 1 in respect of the relevant year commencing 1 April 2005.

L_t means the revenue adjustment factor in the formula year t in respect of licence fee payments and shall be calculated in accordance with the following formula:

$$L_t = LP_t - LA_t$$

where:

LP_t means payments made by the licensee in respect of the NTS transportation owner activity under standard condition 3 (Payments by the Licensee to the Authority) in respect of formula year t;

LA_t shall be derived as follows:

$$LA_t = TOLA_t \times PIT_t$$

where:

$TOLA_t$ shall take the value set against the formula year t in the following table

Formula year commencing 1 April	2007	2008	2009	2010	2011
$TOLA_t$					

PIT_t is the price indexation adjustment, which shall be calculated using the following formula:

$$PIT_t = \left(1 + \frac{RPI_t}{100} \right) \times PIT_{t-1}$$

where PIT_{t-1} shall take the value 1 in respect of the relevant year commencing 1 April 2005.

IS_t means an amount directed (by no later than 31 March 2008) by the Secretary of State in respect of arrangements associated with the conveyance to independent systems, or in the absence of a direction by the Secretary of State, zero.

$DNDC_t$ means the pension deficit costs associated with non-active scheme members at 1 May 2005 attributable to all DN operators in respect of formula year t set out in the following table:

Formula year commencing 1 April	2007	2008	2009	2010	2011
DNDC _t					

- (ii) For the purposes of paragraph 3(b)(i) of this condition, in the formula year commencing 1 April 2010 and each subsequent formula, Rate_t shall take the value zero, unless otherwise directed by the Authority.
- (iii) For the purposes of paragraph 3(b)(ii) of this condition, the Authority may direct that, in respect of the formula year commencing 1 April 2010 and each subsequent formula year, Rate_t be calculated in accordance with the formula set out above where the Authority is satisfied that the licensee has used reasonable endeavours to minimise the amount of NTS prescribed rates.

(c) **NTS transportation owner incentive revenue adjustment TOG_t**

- (i) For the purposes of paragraph 3(a) of this condition, the NTS TO revenue adjustment factor in respect of formula year t (TOG_t) shall be derived in the following manner:

$$TOG_t = IFI_t + CxIncRA_t$$

Where:

IFI_t means the incentive revenue adjustment factor in the formula year t in respect of the Innovation Funding Incentive as derived in paragraph 3(c)(ii) of this condition.

CxIncRA_t means the incentive revenue adjustment factor in the formula

year t in respect of the Baseline Capital Expenditure Incentive, and shall take the value zero in all formula years before or after the formula year commencing 1 April 2012. In the formula year commencing 1 April 2012, CxIncRA_t shall take the value as derived in paragraph 3(c)(iv) of this condition.

- (ii) For the purposes of paragraph 3(c)(i), IFI_t shall be calculated for the formula year t using the following formula:

$$IFI_t = ptri_t \times (\min(IFIE_t, (\max(\pounds 500,000 + KIFI_t, ((0.005 \times TOZ_t) + KIFI_t))))))$$

Where:

IFIE_t means the eligible expenditure for the formula year t as reported in the IFI annual report for that year;

TOZ_t shall take the value derived in respect of the formula year t in accordance with paragraph 3(a);

ptri_t is the IFI pass-through factor applicable for the formula year t and shall take the value 0.8.

KIFI_t is the carry forward in relation to the incentive scheme as set out in the IFI annual report for relevant year t-1, and is calculated from the following formula:

$$KIFI_t = \begin{cases} 0.5 * 0.005 * TOZ_{t-1}, & \text{if } IFIE_{t-1} \leq (0.5 * 0.005 * TOZ_{t-1}), \\ (0.005 * TOZ_{t-1}) - IFIE_{t-1}, & \text{if } IFIE_{t-1} > (0.5 * 0.005 * TOZ_{t-1}) \text{ and } IFIE_{t-1} \leq (0.005 * TOZ_{t-1}), \\ 0, & \text{if } IFIE_{t-1} > (0.005 * TOZ_{t-1}); \end{cases}$$

Where, for the year commencing 1 April 2007, $KIFI_t$, shall be zero.

(iii) For the purposes of paragraph 3(c)(ii):

“eligible IFI expenditure”	means the amount of expenditure spent or accrued by the licensee in respect of eligible IFI projects.
“eligible IFI projects”	means those projects that meet the requirements described for such projects; and
“IFI annual report”	means the report produced each year by the licensee, in a format agreed with the Authority, in respect of expenditure and innovation.

(iv) For the purposes of paragraph 3(c)(i), $CxIncRA_t$ shall be calculated for the formula year t using the following formula:

$$CxIncRA_t = \left[\sum_n [(CIR_t - FIR_t) \times PVF_t \times (IncDif_t)] \right]$$

where

n is...

CIR_t means the capital expenditure incentive sharing factor, representing the proportion of under or overspend against the capital expenditure allowance for the formula year t that is borne by the licensee and shall take the value set out in the table below:

Formula year	2007	2008	2009	2010	2011

commencing 1 April:					
CIR_t					

FIR_t means the fixed capital expenditure incentive rate, which in the formula year commencing 1 April 2007 and each subsequent relevant year shall take the value 0.25;

PVF_t means the present value adjustment factor in respect of the formula year t and shall take the value set out in the table below:

Formula year commencing 1 April:	2007	2008	2009	2010	2011
PVF_t					

$IncDif_t$ represents the difference between the adjusted efficient capital expenditure and the base capital expenditure allowance in respect of the formula year t and shall be calculated in accordance with the following formula:

$$IncDif_t = ACx_t - BCx_t$$

where:

ACx_t is the adjusted efficient capital expenditure incurred by the licensees in respect of the formula year t and shall be calculated in accordance with paragraph 3(c)(v) of

this condition;

BCx_t means, the base capital expenditure allowance, in the formula year t calculated in accordance with paragraph 3(c)(vi) of this condition;

- (v) For the purposes of paragraph 3(c)(iv), ACx_t shall be calculated in accordance with the following formula:

$$ACx_t = Cx_t - SOCx_t - LCx_t - CP_t - MH_t - DCx_t$$

where:

Cx_t means the capital expenditure incurred by the licensee in the formula year t;

$SOCx_t$ insert definition

LCx_t means that amount of capital expenditure incurred by the licensee in the formula year t that falls to be treated as logged up capital expenditure and as reported to the Authority pursuant to [condition].

CP_t means that amount of capital expenditure incurred by the licensee in the formula year t that falls to be treated as pension cost as reported to the Authority pursuant to [condition]

MH_t means that amount of capital expenditure incurred by the licensee in the formula year t that falls to be treated as the excess cost of the Milford Haven Pipeline project to be excluded from the capital expenditure incentive (up to a value of £75 million) as directed by the Authority on or before 31 March 2012.

DCx_t means that amount of capital expenditure incurred by the licensee in respect of the formula year t against which the Authority has issued a direction on or before 31 March 2012 that such expenditure is deemed

inefficient.

- (vi) For the purposes of paragraph 3(c)(iv), BCx_t shall be calculated in accordance with the following formula:

$$BCx_t = RBCx_t \times PIT_t$$

where:

$RBCx_t$ means the base capital expenditure allowance for the formula year t , given in 2004/05 prices, and shall take the value given in the table below:

Formula year commencing 1 April:	2007	2008	2009	2010	2011
$RBCx_t$					

PIT_t is the price indexation adjustment, which shall be calculated using the following formula:

$$PIT_t = \left(1 + \frac{RPI_t}{100} \right) \times PIT_{t-1}$$

where PIT_{t-1} shall take the value 1 in respect of the relevant year commencing 1 April 2005.

- (d) **NTS transportation owner revenue adjustment (TOK_t)**

-
- (i) For the purposes of paragraph 3(a) of this condition, the NTS TO revenue adjustment factor in respect of formula year t (TOK_t) shall be derived in the following manner:

$$TOK_t = (TOR_{t-1} - TOMR_{t-1}) \times \left(1 + \frac{I_t + PI_t}{100} \right)$$

where:

- TOR_{t-1} shall,
- (A) in respect of the formula year commencing 1 April 2007, take the value of TOR_t derived, in respect of the formula year commencing 1 April 2006, in accordance with paragraph 2(1) of part 1a of Special Condition C8B of this licence in the form in force as at 31 March 2007.
 - (B) in respect of the formula year commencing 1 April 2008 and each subsequent formula year have the meaning given to that term in paragraph 2 of this condition where t is replaced by $t-1$;

- $TOMR_{t-1}$ shall,
- (A) in respect of the formula year commencing 1 April 2007, take the value of TOR_t derived, in respect of the formula year commencing 1 April 2006, in accordance with paragraph 3(1) of part 1a of Special Condition C8B of this licence in the form in force as at 31 March 2007.
 - (B) in respect of the formula year commencing 1 April 2008 and each subsequent formula

year have the meaning given to that term in paragraph 3(a) of this condition where t is replaced by t-1;

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

PI_t means the penalty interest rate in the formula year t which is equal to, where $(TOR_{t-1} - TOMR_{t-1})$ has a positive value, three (3), otherwise it shall take the value zero (0).

4. Reporting obligations

- (a) Where the licensee publishes any statement or revised or amended statement as to its NTS TO transportation charges under Standard Special Condition A4 (Charging - General), the licensee shall not later than twenty-eight (28) days prior to the time of such publication provide the Authority with:
- (i) a written forecast of maximum NTS transportation owner 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 year; and
 - (ii) a written estimate of the maximum NTS transportation owner 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 sub-paragraph (d) below in respect of that first mentioned formula year has been furnished to the Authority before the publication of the proposed change in such charges.
- (b) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its NTS TO transportation

charges, the licensee shall provide the Authority with a written forecast of the maximum NTS transportation owner revenue, together with its components, in respect of that formula year.

- (c) 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.
- (d) Not later than six weeks after the commencement of a formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 1(a) and 1(b) of this condition apply in respect of that formula year and its best estimate of what TOK_t (as defined in paragraph 3(b) of this condition) is likely to be in that formula year.
- (e) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement showing the NTS transportation owner revenue in respect of that formula year that 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.
- (f) The statement referred to in paragraph 4(e) of this condition shall be accompanied by a report from appropriate auditors that, in their opinion, that statement fairly presents the NTS transportation owner revenue in accordance with the requirements of this condition.

5. Disapplication of the NTS transportation owner activity revenue restriction

- (a) The NTS transportation owner 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 5(b) to 5(g) of this condition.
- (b) The NTS transportation owner 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 5(c) of this condition or notice is given to the Authority by the licensee in accordance with either paragraph 5(f) or paragraph 5(g) of this condition.
- (c) A disapplication request shall:
- (i) be in writing addressed to the Authority;
 - (ii) specify the NTS transportation owner activity revenue restriction conditions (or any part or parts thereof) to which the request relates; and
 - (iii) state the date (being not earlier than the date referred to in paragraph 5(e) of this condition) from which the licensee wishes the Authority to agree that the conditions shall cease to have effect.
- (d) The licensee may withdraw a disapplication request at any time.
- (e) Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to paragraph 5 of this condition shall have effect until a date being the earlier of:
- (i) not less than 18 months after delivery of the disapplication request; and
 - (ii) 31 March [2012].

-
- (f) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of this 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 the disapplication request, the licensee may deliver written notice to the Authority terminating the application of this condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or a later date.
- (g) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of this 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 this Special Condition, 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 this condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or later.

6. Capital Expenditure Safety Net

- a) For the purposes of this condition, relevant capital expenditure in respect of the relevant year t shall be calculated as follows:

$$RelCx_t = Cx_t - CP_t$$

- b) The licensee shall use reasonable endeavours to estimate relevant capital expenditure in respect of the relevant year t and each subsequent relevant year up to and including the relevant year commencing 1 April 2011.
- c) If, in respect of the relevant year t or any subsequent relevant year up to and including the relevant year commencing 1 April 2011, the Licensee reasonably

expects that relevant capital expenditure will be less than $0.8x(\text{RelACx}_t)$ then the Licensee shall furnish to the Authority a statement setting out:

- (i) the amount by which the Licensee expects relevant capital expenditure to fall below RelACx_t in respect of that same relevant year;
 - (ii) the factors which, in the Licensee's reasonable opinion, has or is likely to result in the shortfall referred to in sub-paragraph (i).
- d) For the purposes of paragraph 6(c), the relevant capital expenditure allowance (RelACx_t) in the relevant year t shall be calculated in accordance with the following formula:

$$\text{RelACx}_t = \text{BCx}_t$$

where

BCx_t shall be calculated as defined above.

- e) The Authority may reasonably request any additional information in relation to paragraphs a) to [xx] of this condition that it considers is necessary to exercises its duties and functions under the Act. Such a request shall be made in writing to the Licensee and specify the date by which information shall be provided being not less than 14 days from the date o the notice.
 - f) Where the Authority issues a request pursuant to paragraph 6(e), the Licensee shall, unless the Authority agrees otherwise, provide such information that has been reasonably requested by the Authority by the date specified in the request
 - g) The Authority may, having considered the information provided by the licensee pursuant to this condition, by notice to the licensee set out that it proposes to reduce the value TOZ_t . Such notice shall specify:
 - (i) the amount by which the Authority proposes reduce TOZ_t ;
 - (ii) the date on which the Authority proposes that the proposed reduction in TOZ_t would take effect;
 - (ii) the reasons why the Authority considers that the proposed reduction is appropriate in light of the information provided by the Licensee to the Authority pursuant to this condition;
-

- (iv) the date, being of no less than 28 days from the date of the notice, by which the Authority invites comments from the Licensee; and
 - (v) the date by which the Authority intends to give effect to such proposed amendments using its powers pursuant to section 23 of the Act.
- h) The Authority shall have regard to any representations made by the Licensee in response to the notice referred to in paragraph 6(g) before formally proposing the modification to the value of TOZ_t referred to in the notice pursuant to section 23 of the Act

Special Condition C8E: NTS gas exit incentives, costs and revenues1. **NTS system operation exit incentives and costs (SOExIRC_t)****(a) Principal formula**

For the purposes of paragraph 3(a) of Special Condition C8C (The NTS system operation activity revenue restriction) the NTS system operation exit revenues and costs (SOExIRC_t) shall be derived from the following formula:

$$\text{SOExIRC}_t = \text{ExCBBIR}_t + \text{ExCIT}_t + \text{ExCIIR}_t + \text{ExLRCIR}_t + \text{ExNOCIR}_t + \text{ExXSIBBC}_t + \text{ExNTSSIC}_t$$

where:

ExCBBIR_t means the buy-back and interruptions incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 1(b) of this condition;

ExCIT_t means the incentive target for costs incurred by the licensee in respect of formula year t in respect of its use of constrained storage facilities to avoid transportation constraints (all having the meanings given to those terms in the network code) and shall be derived in accordance with paragraph 1(c) of this condition;

ExCIIR_t means the exit capacity investment incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 1(d) of this condition;

ExLRCIR _t	means the long run contracting incentive revenue in respect of formula year t and shall be derived in accordance with paragraph 1(e) of this condition;
ExNOCIR _t	means the incentive revenue from the sale of NTS non-obligated exit capacity in respect of formula year t and shall be derived in accordance with paragraph 1(f) of this condition;
ExXSIBBC _t	means an amount equal to the NTS exit capacity constraint management costs incurred by the licensee, in excess of a pre-specified amount, in respect of formula year t in the event of a delay to the delivery of NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility and shall be derived in accordance with paragraph 1(g) of this condition; and
ExNTSSIC _t	means the payments made by the licensee or the total accrued value in respect of formula year t of charges foregone by the licensee as a result of NTS exit capacity curtailment rights and shall be derived in accordance with paragraph 1(h) of this condition.

For the purposes of this condition:

delivered	means the licensee's contractual date of delivery for NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity;
MIN(x,y)	means the value equal to the lesser of x and y;
MAX(x,y)	means the value equal to the greater of x and y;

$\sum_{\text{all } y}$ means the sum across all supply points, connected system exit points and storage connection points y ;

$\sum_{\text{all } z}$ means the sum across all NTS exit points z ;

$\sum_{\text{all } d}$ means the sum across all days d in formula year t ; and

$\sum_{\text{all } m}$ means the sum across all months m in formula year t .

(b) Buy-back and interruptions incentive revenue (ExCBBIIR_t)

For the purposes of paragraph 1(a) of this condition the maximum buy-back and interruptions incentive revenue allowed to the licensee in respect of formula year t (ExCBBIIR _{t}) shall be derived as follows:

- (i) For all days from and including 1 October 2010 (or such date that the Authority otherwise directs in writing) ExCBBIIR _{t} shall have the value zero (0); and
- (ii) otherwise, ExCBBIIR _{t} shall be derived from the following formula:

If $\text{ExCBBIIIT}_t \geq \text{ExCBBICP}_t$, then:

$$\text{ExCBBIIIR}_t = \text{ExCBBICP}_t + [\text{ExCBBIIUSF}_t \times (\text{ExCBBIIIT}_t - \text{ExCBBICP}_t)]$$

Otherwise:

$$\text{ExCBBIIIR}_t = \text{ExCBBICP}_t + \text{MAX} [\text{ExCBBIDSF}_t \times (\text{ExCBBIIIT}_t - \text{ExCBBICP}_t), \text{ExCBBICOL}_t]$$

Where:

ExCBBICP _{t} means the NTS exit capacity buy-back and interruption performance measure in respect of formula year t and shall be calculated in accordance with paragraph 1(b)(ii)(A) of this condition;

ExCBBIIUSF _{t} means the NTS exit capacity buy-back and interruption upside sharing factor in respect of formula year t and shall take a value of 75% in each relevant formula year;

ExCBBIDSF _{t} means the NTS exit capacity buy-back and interruption downside sharing factor in respect of formula year t and shall take a value of 50% in each relevant formula year;

$ExCBBIIIT_t$ means the NTS exit capacity buy-back and interruption incentive target in respect of formula year t and shall be calculated in accordance with paragraph 1(b)(ii)(B) of this condition; and

$ExCBBICOL_t$ means the minimum NTS exit capacity buy-back and interruption incentive revenue in respect of formula year t as set out in paragraph 1(b)(ii)(C) of this condition.

- (A) For the purposes of paragraph 1(b)(ii) of this condition the buy-back and interruptions performance measure in respect of formula year t ($ExCBBICP_t$) shall be derived from the following formula:

$$ExCBBICP_t = ExCCMC_t + ExNTSIIC_t$$

where:

$ExCCMC_t$ means an amount equal to the costs incurred by the licensee in respect of formula year t in respect of NTS exit capacity constraint management and shall be derived from the following formula:

$$ExCCMC_t = \sum_{\text{all } d} ExBBC_{d,t} + \sum_{\text{all } d} ExCCC_{d,t}$$

where:

$ExBBC_{d,t}$ means the costs incurred by the licensee in the curtailment of rights to offtake gas from the transportation system in respect of day d of formula year t excluding those included within $ExNTSIIC_t$; and

$ExCCC_{d,t}$ means the costs incurred by the licensee in respect of any payments made by the licensee to gas shippers or DN operators in exchange for agreeing to put gas into the NTS at the licensee's request on day d in respect of formula year t and in respect of any costs incurred by the licensee undertaking any other commercial or physical action to manage exit capacity excluding those covered by $ExBBC_{d,t}$ or those included within either $ExNTSIIC_t$ or in respect of its use of constrained storage facilities to avoid transportation constraints (all having the meanings given to those terms in the network code).

However, for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing), $ExCCMC_t$ shall have the value zero (0).

$ExNTSIIC_t$ means in respect of formula year t the total payments made by the licensee in accordance with paragraph 1(b)(ii)(E) of this condition in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days and shall be derived from the following formula:

$$ExNTSIIC_t = \sum_{\text{all } d} \left(\sum_{\text{all } y} ExNTSIIC_{y,d} \right)$$

where:

$ExNTSIIC_{y,d}$ means the amount paid by the licensee in respect of the curtailment of rights to offtake gas from the NTS at supply point, connected system exit point or storage connection point y on day d in respect of formula year t to the

extent that such amount relates to a plus 15 curtailment day.

- (B) For the purposes of paragraph 1(b)(ii) of this condition the NTS exit capacity buy-back and interruption incentive target in respect of formula year t ($ExCBBiIT_t$) shall be derived in accordance with the following formula:

$$ExCBBiIT_t = ExCBBIT_t + ExNTSiIT_t$$

Where:

$ExCBBIT_t$ means the NTS exit capacity buy-back incentive target in respect of formula year t and shall have the value zero (0) in each relevant formula year; and

$ExNTSiIT_t$ means the incentive target in respect of formula year t for payments made by the licensee in accordance with paragraph 1(b)(ii)(E) of this condition in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days subject to paragraph 1(b)(ii)(D) of this condition where:

- (aa) for all days until 30 September 2008 (inclusive) (or such date that the Authority otherwise directs in writing) $ExNTSiIT_t$ shall take the values set out in the following table:

	Formula year	
Variable	$t=1$	$t \geq 2$
$ExNTSiIT_t$ £million	1.73	1.68

- (bb) for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing) $ExNTSiIT_t$ shall have the value zero (0) in each relevant formula year;

-
- (C) For the purposes of paragraph 1(b)(ii) of this condition the minimum NTS exit capacity buy-back and interruption incentive revenue in respect of formula year t ($ExCBBICOL_t$) shall:
- (aa) for all days until 30 September 2008 (inclusive) (or such date that the Authority otherwise directs in writing) take the a value of -£7m in each relevant formula year; and
 - (bb) for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing) take a value of -£2m in each relevant formula year;
- (D) Unless the Authority otherwise directs in writing, in any formula year t $ExNTSIIT_t$ shall be equal to zero if:
- (aa) the weighted average charge payable by the licensee to gas shippers in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days does not conform with paragraph 1(b)(ii)(E) below; or
 - (bb) no charge is payable by the licensee to gas shippers in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days in respect of formula year t .
- (E) The licensee shall use all reasonable endeavours to ensure that the weighted average charge payable by the licensee in respect of the curtailment of rights to offtake gas from NTS on plus 15 curtailment days in respect of formula year t ($AExNTSIIC_t$) shall be equal to the value derived from the following formula:

$$AExNTSIIC_t = \frac{ExNTSSIC_t}{\left(\sum_{\text{all } y} ExNTSC_y^{\text{Jan15th}} \times 15 \right)}$$

where:

$ExNTSSIC_t$ means the total value accrued in respect of formula year t of charges foregone by the licensee as a result of NTS exit capacity curtailment rights and shall be derived in accordance with paragraph 1(h) of this condition; and

$ExNTSC_y^{Jan\ 15th}$ means the volume of NTS exit capacity registered in respect of supply point, connected system exit point or storage connection point y in respect of which the licensee has NTS exit capacity curtailment rights on 15 January of formula year t .

(c) Constrained storage target ($ExCIT_t$)

For the purposes of paragraph 1(a) of this condition, the incentive target for costs incurred by the licensee in respect of formula year t in respect of its use of constrained storage facilities to avoid transportation constraints (all having the meanings given to those terms in the network code) ($ExCIT_t$) shall be as set out in the following table:

Variable	Formula year				
	t=1	T=2	t=3	t=4	t≥5
$ExCIT_t$	2.6	2.1	4.3	3.6	2.9
£ million					

(d) Exit capacity investment incentive revenue ($ExCIIR_t$)

For the purposes of paragraph 1(a) of this condition, the exit capacity investment incentive revenue allowed to the licensee in respect of formula year t ($ExCIIR_t$) shall be derived as follows:

$$\text{ExCIIR}_t = (\text{ExCIIR}_t^{\text{projspec}} + \text{ExCIIR}_t^{\text{swquad}}) \times \frac{\text{RIEx}_t}{\text{RIEx}_0}$$

where:

$\text{ExCIIR}_t^{\text{projspec}}$ means the revenue allowed in respect of formula year t, in respect of the anticipated projects set out in paragraph 1(d)(i) of this condition;

$\text{ExCIIR}_t^{\text{swquad}}$ means the revenue allowed in respect of formula year t, where NTS incremental exit capacity below a specified volume threshold is delivered to NTS exit points in the south west quadrant as set out in paragraph 1(d)(ii) of this condition;

RIEx_t means the arithmetic average of the retail price index published or determined with respect to each of the twelve months in formula year t-1; and

RIEx_0 means the arithmetic average of the retail price index published or determined with respect to each of the twelve months from April 2005 to March 2006.

(i) Determination of $\text{ExCIIR}_t^{\text{projspec}}$

$$\text{ExCIIR}_t^{\text{projspec}} = \sum_{\text{all } p} (\text{RDPROJSPEC}_{p,t} \times \text{INDEX}_p \times \text{CDEL}_{p,t})$$

where:

$\sum_{\text{all } p}$ means the sum across all anticipated investment projects p;

$\text{RDPROJSPEC}_{p,t}$ means the project specific revenue driver in respect of anticipated project p and formula year t as set out in the table below;

Anticipated project p	Project description	$\text{RDPROJSPEC}_{p,t}$ £million/year
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Langage power station Phase 1	To deliver NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity of 40GWh/day at the Langage power station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition	9.5
Langage power station Phase 2	To deliver NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity of 18GWh/day at the Langage power station subsequent to the delivery of 40GWh/day as outlined for Langage Phase 1 above and in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition.	5.5
Marchwood power station	To deliver NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity of 45GWh/day at the Marchwood power station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition	4.5
Pembroke power station	To deliver NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity of 87GWh/day at the Pembroke power station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition	6.4
Grain power station	To deliver NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity of 55GWh/day at the Grain	10.6

	power station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition	
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$INDEX_p$ means the relevant input price indexation factor for the formula year in which the NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity associated with the anticipated project p is delivered (as defined in paragraph 1(a) of this condition) as set out in the table below;

Formula year in which the NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity associated with the anticipated project p is delivered	$INDEX_p$
2007/8	1.05
2008/9	1.076
2009/10	1.097
2010/11	1.116
2011/12	1.14

$CDEL_{p,t}$ (A) shall take a value of one (1) in respect of formula year t and formula years t + 1, t + 2, t + 3 and t + 4 if NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity associated with the anticipated project p, as defined in the following table, is delivered (as defined in paragraph 1(a) of this condition) in formula year t following the receipt of a user commitment signal consistent with the methodology published pursuant to paragraph 1 of Special Condition C18 (Licensee's methodology for determining the release of exit capacity volumes) for the delivery of the anticipated project p in formula year t; and

(B) shall otherwise, take a value of zero (0).

(ii) Determination of $ExCIIR_t^{swquad}$

If:
$$\sum_{\text{all } z \text{ in } swquad} (INCCAP_{z,t}^{swquad} \times DEL_{z,t}) < 15$$

where:

$INCCAP_{z,t}^{swquad}$ means the NTS incremental exit flat capacity or NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity in the south west quadrant as set out in paragraph 1(d)(ii) of this condition and shall be calculated as set out in this paragraph;

$DEL_{z,t}$ (A) shall take a value of one (1) in respect of formula year t if the NTS incremental exit flat capacity or NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity taken into account in the calculation of $INCCAP_{z,t}$ is delivered in formula year t; and

(B) shall otherwise take a value of zero (0).

then: $ExCIIR_t^{swquad} = \text{£}0.82\text{m} / \text{GWh} / \text{day}] \times INCCAP_t^{swquad}$

Otherwise:

$$ExCIIR_t^{swquad} = 0$$

where:

$$INCCAP_t^{swquad} = \sum_{\text{all } z \text{ in } swquad} (INCCAP_{z,t} \times RDEL_{z,t} \times INDEX_z)$$

where:

$$\sum_{\text{all } z \text{ in swquad}}$$

means the sum across all NTS exit points z in the south west quadrant, which are as set out in the table below and such new offtake points in the south west to which the Authority has consented in writing;

NTS exit points z in the south west quadrant
Avonmouth Max Refill
Aylesbeare
Barton Stacey Max Refill
Braishfield A
Braishfield B
Cirencester
Coffinswell
Didcot A
Didcot B
Easton Grey
Humbly Grove
Ilchester
Kenn
Littleton Drew
Lyneham
Mappowder

<p>Pucklechurch</p> <p>Seabank DN</p> <p>Abson (Seabank Power station phase I)</p> <p>Seabank Power station phase II</p> <p>Terra Nitrogen (aka ICI/ Terra Severnside)</p>

$$\text{INCCAP}_{z,t} = \text{TINCCAP}_{z,t} + \text{OIExC}_{z,t}$$

Where:

$\text{TINCCAP}_{z,t}$ means NTS incremental exit flat capacity or NTS incremental exit shipper capacity, registered or capable of being registered on or before 30 September 2010 (or such date that the Authority otherwise directs in writing), in respect of formula year t and NTS exit point z in GWh/day in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition, and:

- (A) the licensee has received a specific user commitment as outlined in the statement published pursuant to paragraph 1 of Special Condition C18 (Licensee's methodology for determining the release of exit capacity volumes); or
- (B) the Authority has made a determination pursuant to paragraph 4(b)(vi); and

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- $OIExC_{z,t}$ means NTS obligated incremental exit flat capacity in respect of formula year t and NTS exit point z in GWh/day in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition;
- $RDEL_{z,t}$ (A) shall take a value of one (1) in respect of formula year t and formula years $t + 1$, $t + 2$, $t + 3$ and $t + 4$ if the NTS incremental exit capacity or NTS obligated incremental exit flat capacity taken into account in the calculation of $INCCAP_{z,t}$ is delivered in formula year t ; and
- (B) shall otherwise take a value of zero (0); and
- $INDEX_z$ means the relevant input price indexation factor given the formula year in which the NTS incremental exit capacity or NTS obligated incremental exit flat capacity associated with the NTS exit point z is delivered as set out in the table below;

Formula year in which the NTS incremental exit capacity or NTS obligated incremental exit flat capacity associated with the NTS exit point z is delivered	$INDEX_z$
2007/8	1.05
2008/9	1.076
2009/10	1.097
2010/11	1.116
2011/12	1.14

(e) Long run contracting incentive revenue (ExLRCIR_t)

For the purposes of paragraph 1(a) of this condition, the long run contracting incentive revenue allowed to the licensee in respect of formula year t (ExLRCIR_t) shall be derived as follows:

- (i) For all days until 30 September 2010 (inclusive) (or such date that the Authority otherwise directs in writing) ExLRCIR_t shall have the value zero (0); and
- (ii) otherwise, ExLRCIR_t shall be derived from the following formula:

$$\text{ExLRCIR}_t = \text{ExLRCCP}_t + [\text{ExLRCSF}_t \times (\text{ExLRCIT}_t - \text{ExLRCCP}_t)]$$

where:

ExLRCCP_t means the costs incurred by the licensee in respect of formula year t in relation to the delivery of NTS baseline exit flat capacity release obligations at the following NTS offtakes: Didcot A, Abson (Seabank Power station phase I), Terra Nitrogen (also known as ICI/ Terra Severnside), Barton Stacey Max Refill and Avonmouth Max Refill;

ExLRCSF_t means the long run contracting sharing factor in respect of formula year t and shall take a value of 50% in each relevant formula year; and

ExLRCIT_t means the long run contracting incentive target in respect of formula year t and shall take a value of £2.8m in each relevant formula year.

(f) Incentive revenue from sale of NTS non-obligated exit capacity (ExNOCIR_t)

For the purposes of paragraph 1(a) of this condition, the incentive revenue allowed to the licensee from the sale of NTS non-obligated exit capacity in respect of formula year t (ExNOCIR_t) shall be derived as follows:

If $\text{ExREVNOC}_t \geq \text{ExNOCIT}_t$, then:

$$\text{ExNOCIR}_t = \text{MIN} [\text{ExNOCUSF}_t \times (\text{ExREVNOC}_t - \text{ExNOCIT}_t), \text{ExNOCCAP}_t]$$

Otherwise:

$$\text{ExNOCIR}_t = 0$$

Where:

ExREVNOC_t means the revenue from the sale of NTS non-obligated exit capacity in respect of formula year t and shall be calculated in accordance with paragraph 2(b)(i) of this condition;

ExNOCUSF_t means the NTS non-obligated exit capacity incentive upside sharing factor in respect of formula year t and shall take a value of 50% in each relevant formula year;

ExNOCIT_t means the NTS non-obligated exit capacity incentive target in respect of formula year t and shall have the value zero (0); and

ExNOCCAP_t means the maximum revenue from the sale of NTS non-obligated exit capacity in respect of formula year t and shall take a value of:

- (i) £20m in respect of each relevant and complete formula year; and
- (ii) in respect of each relevant and partial formula year, the same proportion of £20m as the relevant period is to a complete formula year.

(g) Cap on incremental investment buy-back exposure (ExXSIBBC_t)

For the purposes of paragraph 1(a) of this condition, the revenue allowed to the licensee in respect of NTS exit capacity constraint management costs incurred by the licensee in respect of formula year t in the event of a delay to the delivery of NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility (ExXSIBBC_t) shall be derived as follows:

$$\text{ExXSIBBC}_t = \text{MAX} (0, (\text{ExIBBC}_t - \text{MIN}(\text{ExIBBCAP}_t, \text{ExIBBE}_t)))$$

where:

ExIBBC_t means the NTS exit capacity constraint management costs incurred by the licensee in respect of formula year t in the event of a delay to the delivery of NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility;

ExIBBCAP_t means the amount above which the costs represented by the term ExIBBC_t shall be revenue allowed to the licensee in respect of formula year t and shall take a value of:

- (i) £36m in respect of each relevant and complete formula year; and
- (ii) in respect of each relevant and partial formula year, the same proportion of £36m as the relevant period is to a complete formula year.

ExIBBE_t means the potential annual exposure of the licensee to NTS exit capacity constraint management costs incurred by the licensee in respect of formula year t in the event of a delay to the delivery of NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility following the application of a monthly cap ($\text{ExIBBCAP}_{m,t}$) and shall be derived in accordance with the following formula:

$$\text{ExIBBE}_t = \sum_{allm} (\text{MIN} (\text{ExIBBC}_{m,t}, \text{ExIBBCAP}_{m,t}))$$

where:

$\text{ExIBBC}_{m,t}$ means the NTS exit capacity constraint management costs incurred by the licensee in respect of month m of formula year t in the event of a delay to the delivery of NTS obligated

incremental exit flat capacity or NTS obligated incremental exit flow flexibility.

$ExIBBCAP_{m,t}$ means the cap on the costs incurred by the licensee represented by the term $ExIBBC_{m,t}$ in respect of month m of formula year t and shall take a value of £4m in each month of each relevant formula year; and

[However, in deriving $ExIBBC_t$ and $ExIBBC_t$, the unit price applied to each delayed unit of NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility shall not exceed []]

(h) Charges foregone ($ExNTSSIC_t$)

For the purposes of paragraphs 1(a), 1(b)(ii)(F) and 2(a) of this condition, the payments made by the licensee or the total accrued value in respect of formula year t of charges foregone by the licensee as a result of NTS exit capacity curtailment rights ($ExNTSSIC_t$) shall be derived from the following formula:

$$ExNTSSIC_t = \sum_{\text{all } d} \left(\sum_{\text{all } y} ExC_{y,d} \times ExIPK_{y,d} \right)$$

where:

$ExC_{y,d}$ means the volume of NTS exit capacity in respect of day d and supply point, connected system exit point or storage connection point y for which the licensee has NTS exit capacity curtailment rights; and

$ExIPK_{y,d}$ means the notional unpaid NTS exit capacity charge in respect of day d and supply point, connected system exit point or storage connection point y for a volume of NTS exit capacity equal to

$ExC_{y,d}$ and shall be derived from the following formula:

$$ExIPK_{y,d} = ExUCC_{y,d} - ExFC_{y,d}$$

where:

$ExUCC_{y,d}$ means the NTS exit capacity charge per unit of capacity that would be payable in respect of day d and supply point, connected system exit point or storage connection point y for a volume of NTS exit capacity equal to $ExC_{y,d}$ that was not subject to NTS exit capacity curtailment rights; and

$ExFC_{y,d}$ means the NTS exit capacity charge per unit of capacity that is otherwise payable in respect of day d and supply point, connected system exit point or storage connection point z in respect of $ExC_{y,d}$.

Except that for all days on and after 1 October 2010 (or such date that the Authority otherwise directs in writing), $ExNTSSIC_t$ shall have the value zero (0).

2. NTS gas exit revenues

(a) NTS transportation owner revenues ($TOExR_t$)

For the purposes of paragraph 2(a) of Special Condition C8B (The NTS transportation owner activity revenue restriction) the revenue derived by the licensee in respect of the transportation owner activity in respect of formula year t ($TOExR_t$) shall be derived from the following formula:

$$TOExR_t = TOExRF_t + ExNTSSIC_t + TOREVBExC_t$$

where:

$TOExRF_t$ means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS baseline exit shipper capacity, NTS baseline exit flat capacity and NTS baseline exit flow flexibility and shall be derived in accordance with paragraph 2(a)(i) of this condition;

$ExNTSSIC_t$ means the accrued value in respect of charges foregone by the licensee in respect of formula year t as a result of NTS exit capacity curtailment rights and shall have the meaning given to that term in paragraph 1(h) of this condition; and

$TOREVBExC_t$ means the NTS TO revenue derived by the licensee in respect of formula year t from the sale of NTS baseline exit flat capacity and NTS baseline exit flow flexibility and shall be derived in accordance with paragraph 2(a)(ii) of this condition.

(i) $TOExRF_t$

For the purposes of paragraph 2(a) of this condition $TOExRF_t$ shall be derived in the following manner:

In respect of all days from and including 1 October 2010 (or such date that the Authority otherwise directs in writing), $TOExRF_t$ shall have the value zero (0);

Otherwise:

$$TOExRF_t = TREVBSC_t + TREVExC_t + TREVBFF_t$$

where:

$TREVBSC_t$ means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS baseline exit shipper capacity;

$TREVExC_t$ means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS baseline exit flat capacity; and

$TREVBFF_t$ means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS baseline exit flow flexibility.

(ii) $TOREVBExC_t$

For the purposes of paragraph 2(a) of this condition and in respect of all days from 1 October 2010 (or such date that the Authority otherwise directs in writing), $TOREVBExC_t$ shall be derived from the following formula:

$$TOREVBExC_t = REVBExC_t + REVBFF_t$$

where:

$REVBExC_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS baseline exit flat capacity, excluding that included within $TOExRF_t$; and

$REVBFF_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS baseline exit flow flexibility excluding that included within $TOExRF_t$;

Otherwise, $TOREVBExC_t$ shall have the value zero (0).

(b) NTS system operation revenues ($SOExRF_t$)

For the purposes of paragraph 2(a) of Special Condition C8C (The NTS system operation activity revenue restriction) the revenue derived by the licensee in respect of the system

operation activity in respect of formula year t (SOExRF_t) shall be derived from the following formula:

$$\text{SOExRF}_t = \text{TOEx}_t - \text{TOExRF}_t + \text{REVOIExC}_t + \text{REVOIFF}_t + \text{ExREVNOC}_t$$

where:

TOEx_t means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS exit shipper capacity, NTS exit flat capacity and NTS exit flow flexibility, except that for all days from and including 1 October 2010 (or such date that the Authority otherwise directs in writing), TOEx_t shall have the value zero (0);

TOExRF_t shall be derived in accordance with paragraph 2(a)(i) of this condition;

REVOIExC_t means the revenue derived by the licensee in respect of formula year t from sales of NTS obligated incremental exit flat capacity;

REVOIFF_t means the revenue derived by the licensee in respect of formula year t from sales of NTS obligated incremental exit flow flexibility; and

ExREVNOC_t means the revenue from the sale of NTS non-obligated exit capacity in respect of formula year t and shall be calculated in accordance with paragraph 2(b)(i) of this condition.

(i) NTS exit capacity revenue from the sale of NTS non-obligated exit capacity (ExREVNOC_t)

For the purposes of paragraphs 1(f) and 2(b) of this condition the revenue derived by the licensee from the sale of NTS non-obligated exit capacity in respect of formula year t (ExREVNOC_t) shall be derived as follows:

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- (A) For all days until 30 September 2010 (inclusive) (or such date that the Authority otherwise directs in writing) $ExREVNOC_t$ shall have the value zero (0); and
- (B) otherwise, $ExREVNOC_t$ shall be derived from the following formula:

$$ExREVNOC_t = REVNOIExC_t + REVIExC_t + REVIFF_t$$

Where:

$REVNOIExC_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS non-obligated incremental exit flat capacity;

$REVIExC_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS short term interruptible exit capacity; and

$REVIFF_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS non-obligated incremental exit flow flexibility and shall be calculated in accordance with paragraph 2(b)(ii) of this condition.

(ii) NTS exit capacity revenue from the sale of NTS non-obligated incremental exit flow flexibility ($REVIFF_t$)

For the purposes of paragraph 2(b)(i) of this condition the revenue derived by the licensee from the sale of NTS non-obligated incremental exit flow flexibility in respect of formula year t ($REVIFF_t$) shall be derived from the following formula:

$$REVIFF_t = \sum_{\text{all } d} VOLIFF_d \times [\pounds 4,000]$$

Where:

$VOLIFF_d$ means the volume in million cubic meters of NTS non-obligated incremental exit flow flexibility sold by the licensee for each day d in respect of formula year t .

3. Capacity release obligation

- (a) In respect of all NTS exit capacity registered or capable of being registered on or after 1 October 2010 (or such date that the Authority otherwise directs in writing):
- (i) In respect of any NTS exit point , and any day in formula year t , the licensee shall use all reasonable endeavours to offer for sale all NTS baseline exit flat capacity and NTS baseline exit flow flexibility to gas shippers and DN operators in all available allocations up to the end of the day to which the capacity relates, consistent with the charging methodology established pursuant to Standard Special Condition A5 (Obligations as Regard Charging Methodology);
 - (ii) In respect of any supply point, connected system exit point or storage connection point, and any day in formula year t , the licensee shall use all reasonable endeavours to offer for sale all NTS obligated incremental exit flat capacity and NTS obligated incremental exit flow flexibility to gas shippers and DN operators in all available allocations to the end of the day to which the capacity relates, consistent with the charging methodology established pursuant to Standard Special Condition A5 (Obligations as Regard Charging Methodology);
 - (iii) The licensee shall use all reasonable endeavours to substitute unsold NTS baseline exit flat capacity release obligations between NTS exit points such that the level of NTS obligated incremental exit flat capacity and NTS obligated incremental exit flow flexibility is minimised;

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- (iv) The licensee shall use all reasonable endeavours to revise NTS baseline exit flat capacity release obligations and NTS baseline exit flow flexibility release obligations upwards in the event that the release of obligated incremental entry capacity increases the availability of NTS exit capacity; and
 - (v) The licensee shall use all reasonable endeavours to revise NTS baseline exit flow flexibility release obligations upwards in the event that the release of NTS obligated incremental exit flat capacity increases the availability of NTS firm exit flow flexibility.

4. **Statements required from the licensee**

(a) **Statement of actual interruption**

- (i) The licensee shall publish by 12:00 noon each day a statement setting out in respect of the NTS by each exit zone (having the meaning given to that term in the network code):
 - (A) the volumes of NTS exit capacity which were curtailed on the previous day; and
 - (B) in respect of sub-paragraph (A) above why it initiated such use of NTS exit capacity curtailment rights which shall be for one of the following reasons: (aa) for the purposes of managing capacity rights within the NTS, (bb) for the purposes of balancing the inputs of gas to and the offtakes of gas from the NTS, (cc) for a specified combination of the reasons (aa) and (bb), or (dd) for such other reason as the licensee shall specify.
- (ii) The licensee shall retain copies of each statement published pursuant to paragraph 4(a)(i) of this condition for at least seven (7) years following publication.

(b) Statement of incremental investment in the transitional period

- (i) In respect of each formula year, the licensee shall, by 1 June in that formula year (or such other date as the Authority may direct in writing), provide the Authority with a written statement of any NTS incremental exit capacity or any proposed NTS incremental exit capacity in respect of which:
- (A) the licensee has already, or expects to, incur depreciation or capital expenditure or financing costs in respect of formula year $t = 1$ or subsequent formula years; and
 - (B) the date from which such NTS incremental exit capacity was capable or is reasonably expected to be capable of being registered pursuant to the network code falls within the period from 1 October 2008 to 30 September 2010 (inclusive) (or such dates that the Authority otherwise directs in writing).
- (ii) The statement referred to in paragraph 4(b)(i) of this condition shall include the following:
- (A) The NTS exit point(s) (having the meaning given to that term in the network code) to which the NTS incremental exit capacity relates or will relate;
 - (B) The volume of such NTS incremental exit capacity in GWh per day by NTS exit point;
 - (C) The date from which such NTS incremental exit capacity was capable or is reasonably expected to be capable of being registered pursuant to the network code; and
 - (D) Where the licensee has not received a specific user commitment as outlined in the statement published pursuant to paragraph 1 of Special Condition C18 (Licensee's methodology for determining the release of

exit capacity volumes) and a determination has not already been made by the Authority pursuant to paragraph 4(b)(vi) of this condition, the basis upon which the licensee has reached the view that there is or will be demand sufficient to justify the provision of such NTS incremental exit capacity.

- (iii) The licensee shall keep a record of the statement made pursuant to paragraph 4(b)(i) of this condition for seven (7) years following publication.
- (iv) The licensee shall provide the Authority with such additional information as the Authority requests for the purposes of ascertaining the reason or reasons why the licensee reached a view that there was or would be sufficient demand to justify the provision of such NTS incremental exit capacity (as referred to in paragraph 4(b)(ii)(D) of this condition).
- (v) The licensee shall publish the statement within [twenty-eight (28)] days of making it available to the Authority (unless the Authority otherwise directs the licensee in writing) provided that the licensee shall exclude from the statement as published, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect that person's interests.
- (vi) Where the licensee has not received a specific user commitment as outlined in the statement published pursuant to paragraph 1 of Special Condition C18 (Licensee's methodology for determining the release of exit capacity volumes), the Authority shall consider the information provided by the licensee pursuant to paragraphs 4(b)(ii)(D) and 4(b)(iv) and shall determine whether the NTS incremental exit capacity concerned may be treated, for revenue driver purposes (pursuant to paragraph 1(d)(ii)), as if such a user commitment had been received unless a determination has been issued previously in this regard.
- (vii) Any determination made by the Authority pursuant to paragraph 4(b)(vi) of this condition shall be:

- (A) in writing;
- (B) copied to the licensee;
- (C) published by the Authority; and
- (D) made and so written, copied and published within three months of the receipt by the Authority of all relevant information from the licensee pursuant to paragraphs 4(b)(ii)(D) and 4(b)(iv) of this condition.

(c) Methodology statement for baseline substitution or revision

- (i) The licensee shall, on or before 1 April 2007, or such later date as the Authority may direct, prepare and submit for approval by the Authority a methodology statement for exit baseline substitution or revision setting out the methodology by which it will determine its proposals for the substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to the obligation in paragraphs 3(a)(iii) and 3(a)(iv) of this condition.
- (ii) Unless the Authority otherwise directs (such direction to be made within [2] months of the receipt by the Authority of a statement prepared pursuant to paragraph 4(c)(i) of this condition) the licensee shall, when determining its proposals for substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition, take all reasonable steps to apply the methodology set out in that statement, and shall do so on the earlier of:
 - (A) the date of receipt of a notice from the Authority approving the statement; and
 - (B) the expiry of that [two] month period.
- (iii) The licensee shall, if so directed by the Authority and in any event at least once a year, review the statement prepared pursuant to paragraph 4(c)(i) in consultation with gas shippers, DN operators and other persons likely to be

affected by it and allow each of them a period of not less than [28] days from the statement being shown to such person in which to make representations.

(iv) Except where the Authority directs otherwise, before submitting the initial methodology statement for exit baseline substitution or revision by 1 April 2007 (or such later date as the Authority may direct) pursuant to paragraph 4(c)(i) or revising its methodology statement for exit baseline substitution or revision the licensee shall:

(A) when revising its methodology statement for exit baseline substitution or revision, send a copy of the proposed revisions to the Authority and to any person who asks for one;

(B) consult gas shippers and DN operators and allow them a period of not less than [28] days in which to make representations;

(C) within [7]days of the close of the consultation referred to in paragraph 4(c)(iv)(B) of this condition submit to the Authority a report setting out:

(aa) the revisions originally proposed,

(bb) the representations (if any) made to the licensee,

(cc) any change to the revisions; and

(D) where the Authority directs that sub-paragraphs (A), (B) and (C) of this paragraph or any of them shall not apply, comply with such other requirements as are specified in the direction.

(v) The licensee shall be entitled to modify its statement for exit baseline substitution or revision at any time pursuant to paragraphs 4(c)(iii) and 4(c)(iv) of this condition, save that it shall not modify such statement:

(A) if within [28] days from the date on which the Authority receives the report referred to in paragraph 4(c)(iv)(C) of this condition the Authority directs the licensee not to make the modification.

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- (B) where there is no such direction until the expiry of [28] days from the date on which the Authority receives the report referred to in paragraph 4(c)(iv)(C) of this condition; or
 - (C) where paragraph 4(c)(iv)(D) in this condition applies, before the day (if any) specified in the direction made pursuant to that paragraph;
- (v) The licensee shall take all reasonable steps to comply with the modified statement in force pursuant to paragraph 4(c)(v) of this condition.
 - (vi) The licensee shall send to the Authority a copy of all modifications to the statements and reports prepared pursuant to paragraphs 4(c)(i) and 4(c)(v) of this condition.
 - (vii) The licensee shall publish (in such manner as the Authority may approve) the statements prepared pursuant to paragraph 4(c)(i) of this condition and each modification thereof. Such statements and modified statements refers only to those to which the Authority has given consent.
- (d) **Request for baseline substitution or revision**
- (i) Within [2] months of each application month in relation to applications for Prevailing Annual NTS Exit (Flat) Capacity (having the meaning given to such terms in the network code), (or in each case, such other date as the Authority may direct in writing), the licensee shall provide the Authority with a written statement of any proposed substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition.
 - (ii) The statement referred to in paragraph 4(d)(i) of this condition shall include the following:

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- (A) The NTS exit point(s) (having the meaning given to that term in the network code) to which the proposed substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations relate;
 - (B) The proposed changes in volume of NTS baseline exit flat capacity release obligations and NTS baseline exit flow flexibility release obligations in GWh per day by NTS exit point;
 - (C) The date from which it is proposed that the changes in volume of NTS baseline exit flat capacity release obligations and NTS baseline exit flow flexibility release obligations should take effect; and
 - (D) The basis upon which the licensee has determined its proposals for the substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations including the derivation of relevant exchange rates, consistent with its obligation pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition.
- (iii) The licensee shall keep a record of the statement made pursuant to paragraph 4(d)(i) of this condition for seven (7) years after it has provided that statement to the Authority.
 - (iv) The licensee shall provide the Authority with such additional information as the Authority requests for the purposes of ascertaining the basis upon which the licensee has determined its proposals for the substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to paragraph 4(d)(ii)(D) of this condition in order for the Authority to establish compliance with the obligation pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition;
 - (v) The licensee shall publish the statement within [twenty-eight (28)] days of making it available to the Authority unless the Authority otherwise directs the

licensee in writing provided that the licensee shall exclude from the statement published, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect that person's interests;

(vi) The Authority shall consider the information provided by the licensee pursuant to paragraphs 4(d)(ii)(D) and 4(e)(iv) of this condition and shall determine whether to consent to the proposed substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition;

(vii) Any consent granted by the Authority pursuant to paragraph 4(d)(vi) of this condition shall be:

(A) in writing;

(B) copied to the licensee;

(C) published by the Authority; and

(D) made and so written, copied and published within [three] months of the receipt by the Authority of all relevant information from the licensee pursuant to paragraphs 4(d)(ii)(D) and 4(d)(iv) of this condition;

(viii) Following the granting of consent to the proposed revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to paragraph 4(d)(vi) of this condition, the licensee shall publish (in such a manner as the Authority may approve) the "NTS exit baseline statement" incorporating such revisions.

(e) **Statement of incremental obligated capacity in the enduring period**

(i) In respect of each formula year, the licensee shall, by 1 November in that formula year (or such other date as the Authority may direct in writing), provide the Authority with a written statement of any proposed NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility.

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- (ii) The statement referred to in paragraph 4(e)(i) of this condition shall include the following:
- (A) The NTS exit point(s) (having the meaning given to that term in the network code) to which the NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility will relate;
 - (B) The volume of such NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility in GWh per day by NTS exit point;
 - (C) The date from which such NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility is reasonably expected to be capable of being registered pursuant to the network code; and
 - (D) The basis upon which the licensee has reached the view that the demand triggering such NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow flexibility cannot be satisfied in full by the substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flow flexibility release obligations pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition.
- (iii) The licensee shall keep a record of the statement made pursuant to paragraph 4(e)(i) of this condition for seven (7) years after it has provided the statement to the Authority.
- (iv) The licensee shall provide the Authority with such additional information as the Authority requests for the purposes of ascertaining the reason or reasons why the licensee considered that the substitution or revision of NTS baseline exit flat capacity release obligations or NTS baseline exit flat capacity release obligations could not satisfy in full the demand triggering such NTS obligated incremental exit flat capacity or NTS obligated incremental exit flow
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flexibility pursuant to paragraph 4(e)(ii)(D) of this condition in order for the Authority to establish compliance with the substitution obligation pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition.

- (viii) The licensee shall publish the statement within [twenty-eight (28)] days of making it available to the Authority (unless the Authority otherwise directs the licensee in writing) provided that the licensee shall exclude from the published statement, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests.

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

1. Unless the Authority otherwise directs in writing, 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 C8B (The NTS transportation owner activity revenue restriction), Special Condition C8C (The NTS system operation activity revenue restriction), Special Condition C8D (NTS gas entry incentives, costs and revenues), Special Condition C8E (NTS gas exit incentives, costs and revenues), Special Condition C8F (Other NTS System Operator external incentives, costs and revenues) or Special Condition C8G (NTS System Operator internal incentives, costs and revenues) 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:
 - (aa) the licensee;
 - (bb) any other business held by Transco plc or its affiliates or related undertakings under a separate licence (whether or not held within the same legal entity);
 - (cc) the business of any individual Distribution Network; and/or

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- (dd) 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 shall allocate or attribute all revenue earned and costs incurred by the transportation business to the following activities:
- (a) the NTS transportation owner activity;
 - (b) the NTS system operation activity;
 - (c) the metering activities; or
 - (d) excluded services in accordance with the principles set out in Special Condition C10 (Supplementary provisions of the revenue restrictions in respect of the NTS transportation owner activity and NTS system operation activity).
3. The licensee shall on or before 1 October 2007 (or such later date as the Authority may direct) and before 1 July in each subsequent formula year (or such longer period as the Authority may direct) 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 condition and consistently with its other duties under the Act, and the standard, Standard Special and Special Conditions of this licence) 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 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. Without prejudice to the generality of the foregoing, the statement shall separately identify which of the activities listed in paragraph 2 each allocation or attribution of revenues, costs or liabilities relates to, and, where such allocation and attributions have changed from one year to the next, the licensee shall explain and give reasons for such change.

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4. The licensee shall re-allocate or re-attribute revenues earned by the licensee and costs incurred by the licensee to the activities listed in paragraph 2 of this 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 condition so as to bring such re-allocation or attribution into compliance with paragraph 1 of this 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 condition as modified pursuant to paragraph 4 of this condition and whether any modification should be made to that statement to reflect more closely the practice of the licensee.

(b) The report shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has properly prepared the report submitted pursuant to paragraph 5(a) in accordance with paragraphs 3 and 4 of this condition.
 6. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 3 and directions for the time being in force pursuant to paragraph 4 of this condition.
 7. To the extent the licensee earns revenues or incurs costs in the provision of de minimis activities in accordance with Standard Special Condition A36 (Restriction on Activity and Financial Ring-fencing), the licensee shall report on these revenues and costs in accordance with this condition.
 8. In this condition:

“NTS transportation owner activity” shall have the meaning given to that term in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation activity and NTS

system operation activity);

- “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 C10 (Supplementary provisions of the revenue restrictions in respect of the NTS transportation owner activity and NTS system operation activity).
- “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 Transco’s transportation system and shall include the NTS transportation owner activity, the NTS system operation activity, the metering and meter reading activity and excluded services;

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

1. There may be treated as excluded services, services provided by the licensee in the provision of its NTS TO activity or its NTS SO activity in respect of which charges are made which:
 - (a) do not fall within Special Condition C8B (The NTS transportation owner activity revenue restriction), Special Condition C8C (The NTS system operation activity revenue restriction), Special Condition C8D (NTS gas entry incentives, costs and revenues), Special Condition C8E (NTS gas exit incentives, costs and revenues) Special Condition C8F (Other NTS System Operator external incentives, costs and revenues) or Special Condition C8G (NTS System Operator internal incentives, costs and revenues) ; and
 - (b) may be determined by the licensee as falling under one of the principles set out in paragraphs 2 to 4 of this condition.
2. No service provided by the licensee as part of its NTS TO activity or NTS SO 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:
 - (a) paragraph 2 of Special Condition C8B (The NTS transportation owner activity revenue restriction); and
 - (b) paragraph 2 of Special Condition C8C (The NTS system operation activity revenue restriction).
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 Special Condition A48 (Last Resort Supply: Payment Claims), an amount equal to the increases in its charges pursuant to paragraph 5 of Standard Special Condition A48; or

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- (b) derived from charges in respect of the provision of emergency services under contracts entered into pursuant to Standard Special Condition A41 (Emergency services to or on behalf of another gas transporter); or
 - (c) representing revenue equal to any allowance made or charges (in respect of gas treated as not having been taken out of its pipe-line 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
 - (d) derived 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 NTS TO activity or NTS SO activity.
5. Where the Authority is satisfied that in light of the principles set out in paragraphs 2 to 4 of this 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 C9 (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) 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.

Note: This licence condition will come into force in September 2008, allowing time for completion of the review of the NGG's planning methods and to develop the planning code.

Special Condition C11: Transmission Planning Code

- 1 The licensee shall in consultation with interested parties prepare and at all times have in force and shall implement and comply (subject to paragraph 10) with a Transmission Planning Code to be known as the licensee's Transmission Planning Code:
- (a) covering all material technical aspects relating to planning, design and operation of the transmission system.
 - (b) which is designed so as:
 - (i) to facilitate the development, maintenance and operation of an efficient co-ordinated and economical system for the transmission of gas;
 - (ii) to facilitate competition in the production, shipping and supply of gas (and without limiting the foregoing, to facilitate the licensee's transmission system being made available to persons authorised to ship gas on terms which neither prevent nor restrict competition in the supply, distribution, shipping, production, storage or importation of gas); and
 - (iii) subject to paragraphs (i) and (ii), to promote the security and efficiency of the gas production, transmission and distribution systems in Great Britain.
- 2 The licensee's Transmission Planning Code in force at the date this condition comes into force shall be sent to the Authority for its approval. Thereafter the licensee shall (in consultation with interested parties) periodically review (including upon the request of the Authority) the licensee's Transmission Planning Code and its implementation. Following any such review, the licensee shall send to the Authority:

- (a) a report on the outcome of such review; and
 - (b) any proposed revisions to the licensee's Transmission Planning Code from time to time as the licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives referred to in paragraph (b) of paragraph 1; and
 - (c) any written representation or objections from interested parties arising during the consultation process and subsequently maintained.
- 3 Revisions to the licensee's Transmission Code proposed by the licensee and sent to the Authority pursuant to paragraph 2 shall require to be approved by the Authority
- 4 Having regard to any written representations or objections referred to in subparagraph (c) of paragraph 2, and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the licensee to revise the licensee's Transmission Planning Code in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.
- 5 The licensee's Transmission Planning Code shall include codes relating to the operation of the licensee's transmission system, including:
- (a) a planning code specifying the design criteria and procedures to be applied by the licensee in planning and development of the licensee's transmission system and to be taken into account by persons connected or seeking connection with the licensee's transmission system in the planning and development of their own plant and systems.

This code shall include but not be limited to:

- (i) criteria to determine physical capacity of the network taking into account the baseline and purchased entry and exit capacity, together with statutory network security standards;

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- (ii) criteria to determine the appropriate level of duplicated spare equipment and flow margins;
 - (iii) a method to determine line pack or flexibility available at each node of the network; and
 - (iv) a method to identify the physical ability of the network to accommodate incremental flows at a given entry (exit) node as flow at another entry (exit) node is reduced.
 - (v) criteria for identifying the rate of change of flow that can be accommodated at each node;
 - (vi) criteria for identifying maximum and minimum pressures at each node.
- 6 The licensee shall establish and operate procedures for the modification of the Transmission Planning Code (including procedures for modification of the modification procedures themselves). These procedures shall cover but not be limited to:
- (a) proposals for modification of the Transmission Planning Code by the licensee or other persons and parties as the Transmission Planning Code may provide;
 - (b) where such a proposal is made:
 - (i) for bringing the proposal to the attention of interested parties;
 - (ii) for proper consideration of any representations on the proposal;
 - (iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable Transmission Planning Code objectives;
 - (iv) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable Transmission Planning Code objectives;
 - (v) for the preparation of a report:
 - setting out the proposed modification and any alternative;

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- evaluating the proposed modification, better facilitate achieving the applicable Transmission Planning Code objectives;
 - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable Transmission Planning Code;
 - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
 - for the submission of the report to the Authority as soon after the proposal is made as is appropriate for the proper execution and completion of the steps in sub-paragraphs (i) to (v).
- (c) for the timetable (referred to in sub-paragraph (b) (v) for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made and for that timetable to be extended with the consent of or as required by the Authority.
- 7 (a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vi) and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the Transmission Planning Code and any alternative modifications set out in such report, better facilitate achieving the applicable Transmission Planning Code objectives the Authority may direct the licensee to make that modification.
- (b) The licensee shall only modify the Transmission Planning Code with the consent of the Authority and it shall not have the power to modify the Transmission Planning Code in any other circumstance; and the licensee shall furnish the Authority with a copy of any modification made.
- (c) Only the licensee shall have the power to modify the Transmission Planning Code.

- 8 The licensee shall give or send a copy of the licensee's Transmission Code (as from time to time revised) to the Authority.
- 9 The licensee shall (subject to paragraph 10) give or send a copy of the licensee's Transmission Planning Code (as from time to time revised) to any person requesting the same.
- 10 The licensee may make a charge for any copy of the licensee's Transmission Code (as from time to time revised) given or sent pursuant to paragraph 8 of an amount which will not exceed any amount specified for the time being for the purposes of this condition issued by the Authority.
- 11 In preparing, implementing and complying with the licensee's Transmission Planning Code (including in respect of the scheduling of maintenance of the licensee's transmission system), the licensee shall not unduly discriminate against or unduly prefer any person of class or classes of person in favour of or as against any person or class or classes of persons.
- 12 The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the licensee's Transmission Planning Code in respect of such parts of the licensee's transmission system and/or to such extent as may be specified in the directions.

Special Condition C12: Restriction of prices in respect of tariff capped metering activities

1. Principal restriction

The licensee in setting its charges for each of its tariff-capped metering activities in any formula year shall not exceed the maximum tariff cap in respect of that metering activity in respect of that formula year t (M_t^A).

2. Maximum tariff caps (M_t^A)

For the purposes of paragraph 1 of this condition the maximum tariff cap for each tariff-capped metering activity in respect of formula year t (M_t^A) shall be derived in the following manner:

- (1) In respect of the formula year commencing on 1 April 2002 ($t=1$), the maximum tariff caps shall have the values set out in the following table:

Activity	Description	Maximum tariff caps (M_t^A)
1	Annual charge for providing and maintaining the assets that form a domestic credit meter installation, per meter per annum	£12.29 $\times (1 + RPI_0)$
2	Annual charge for providing and maintaining the assets that form a prepayment meter installation, per meter per annum	£27.29 $\times (1 + RPI_0)$
3	Annual charge for providing a daily meter reading for daily metered supply meter	£340.00 $\times (1 + RPI_0)$

points, per supply meter point per annum

- 4 Carrying out the work to replace a £46.00
domestic credit meter with a prepayment × (1 + RPI₀)
meter, per job undertaken

- (2) Otherwise, prior to the formula year commencing 1 April 2005:

$$M_t^A = M_{t-1}^A + (M_{t-1}^A \times RPI_t) \text{ (rounded up or down to the nearest penny).}$$

where:

RPI₀ means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from April to September (both inclusive) in the year 1999 and of the arithmetic average of the retail price index numbers published or determined in each of the six months from July to December (both inclusive) in the year 2001; and

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

- (3) In respect of the formula year commencing 1 April 2005 and subsequent formula years the value of M_t^A shall be determined using the following formulae:

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

$$M^A_t = (M^A_{t-1} + (M^A_{t-1} \times RPI_t)) - R_t$$

(ii) For Activity 3 and 4 the value of M^A_t will be calculated using the following formula:

$$M^A_t = M^A_{t-1} + (M^A_{t-1} \times RPI_t)$$

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

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

(i) Where:

$RPIr_t$ means the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from June to November (both inclusive) in the year 2001 and of the arithmetic average of the retail price index numbers published or determined in each of the six months from June to November (both inclusive) in the year 2004.

(ii) In respect of the formula year commencing 1 April 2006 and subsequent formula years the value for R_t shall be zero.

3. Definitions

In this condition:

“daily metered supply meter points” means a supply meter point which is read on a daily basis in accordance with section M paragraph 1.3.1 or section G 1.5.1(b) or section G paragraph 1.5.3 of Transco plc’s

Network Code having effect as such on 1 April 2002 as defined within Amended Standard Condition 9 (Network Code) of Transco plc's gas transporter licence on that date.

“domestic credit meter installation” means a domestic sized meter and associated equipment and installations (excluding housing) within the definition of a supply meter installation (having the meaning given to that term in the network code) that is not a prepayment meter installation;

“domestic sized” means designed for a maximum rate of gas flow which does not exceed six (6) cubic metres per hour;

“tariff capped metering activities” means those activities provided by the licensee listed in paragraph 2 of this condition; and

“prepayment meter installation” means a domestic sized meter and associated equipment and installations (excluding housing) within the definition of a supply meter installation (having the meaning given to that term in the network code) through which gas, which is charged for as it is used, is supplied.

4. **Departures from published statements of charges in respect of tariff-capped metering activities**

- (1) Where the licensee wishes to depart from its published statement of charges prepared in accordance with Standard Special Condition A43 (Provision of Metering and Metering Reading Services) in respect of the provision of tariff capped metering activities by increasing its charges to a supplier to a level which would result in any given formula year in a breach of its obligations under paragraph 1 of this condition:

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- (a) in consequence of that supplier having unbundled part of its supplier's metering portfolio; or
 - (b) where it reasonably considers that the departure is necessary to comply with its duty in paragraph 1A of Standard Special Condition A43 (Provision of Metering and Meter Reading Services),

the licensee shall make a written application to the Authority specifying why the change is requested, providing specification of the metering activities to be provided to that supplier, the proposed level of charge broken down between the different types of metering activities to be provided to that supplier together with such other information to support its application as the Authority may reasonably specify in writing.

- (2) The licensee may, with effect from the date of the application, levy the charges specified in that application in respect of that supplier if:
 - (a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent and on the basis of such terms and conditions as the Authority may specify; or
 - (b) if the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap within 90 days after receipt of the application.

5. **Disapplication of the maximum tariff caps**

- (1) The maximum tariff caps shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 5(2) to 5(8) of this condition.
- (2) The maximum tariff caps shall cease to have effect (in whole or in part as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 5(3) of this condition and notice is given to the

Authority by the licensee in accordance with either paragraph 5(6) or paragraph 5(7) of this condition.

- (3) A disapplication request shall:
- (i) be in writing addressed to the Authority;
 - (ii) specify the maximum tariff cap or caps to which the request relates; and
 - (iii) state the date (being not earlier than the date referred to in paragraph 5(5) of this condition) from which the licensee wishes the Authority to agree that the maximum tariff cap or caps shall cease to have effect.
- (4) The licensee may withdraw a disapplication request at any time.
- (5) Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to paragraph 5(3) of this condition shall have effect until a date being not less than 18 months after delivery of the disapplication request ("the disapplication date").
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of the maximum tariff cap or caps specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn the disapplication request, the licensee may deliver written notice to the Authority terminating the application of the maximum tariff cap or caps as specified in the disapplication request with effect from the disapplication date or a later date.
- (7) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the maximum tariff cap or caps specified in the disapplication request and such report does not include a conclusion that the cessation of such maximum tariff caps, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days

after the publication of the report by the Authority in accordance with section 25 of the Act deliver to the Authority written notice terminating the application of the maximum tariff cap or caps specified in the disapplication request with effect from the disapplication date or later.

- (8) A disapplication request or notice served under this condition may be served in respect of a specified geographic area.

SPECIAL CONDITION C13: NETWORK OUTPUT MEASURES**Part A: Purpose**

1. The purpose of this condition is to ensure the development and maintenance of an appropriate methodology for measuring the network asset condition, the network risks, the network performance and the network capability of the licensee's transmission system.

Part B: Development of the Network Output Measures

2. The licensee shall in consultation with other licensees and interested parties before 31 March 2008, or such later date as the Authority may direct, propose to the Authority a methodology for evaluating:
 - (a) the current condition of the population of assets which collectively form the licensee's transmission system, including asset component condition, reliability, and the predicted rate of deterioration in the condition of such assets relevant for their current and forecast ability to perform their required function ("Asset Condition");
 - (b) the overall level of risk to the reliable provision of network capability of the transmission system as a result of the Asset Condition and the interdependence between assets ("Network Risk");
 - (c) those aspects of the technical performance of the licensee's transmission system having a direct impact on the reliability and cost of services provided by the licensee in its capacity as transmission owner to its users ("Network Performance");

- (d) the level of the capability and the utilisation of the licensee's transmission system at entry and exit points and other network capability and utilisation factors ("Network Capability");

collectively the "network output measures". The licensee shall specify with its proposed network output measures the type of input data to be used and the methodology with which such input data will be used to derive the numerical values for the proposed network output measures (the "network output measures methodology").

3. The network output measures shall be designed to:
- (a) monitor the licensee's performance in development, maintenance and operation of an efficient, co-ordinated and economical system of electricity transmission;
 - (b) permit the assessment of historical and forecast network expenditure on the licensee's transmission system;
 - (c) facilitate comparative analysis between:
 - i. geographic areas and asset groups within the licensee's transmission system
 - ii. licensed transmission networks within Great Britain
 - iii. transmission networks in Great Britain and in other countries
 - iv. transmission and distribution networks in Great Britain;
 - (d) facilitate the communication in a transparent manner of relevant information regarding the capability and performance of the licensee's transmission system;
 - (e) facilitate the assessment of customer satisfaction derived from the services provided by the licensee in its capacity as transmission owner to its users;
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collectively the “purposes”.

4. When submitting its proposal to the Authority in accordance with paragraph 2, the licensee shall also provide the Authority with:
 - (a) analysis and reports relevant to the development of the network output measures methodology, including input data and models;
 - (b) definitions of the input data and any normalisation factors used in the network output measures methodology;
 - (c) historical input data used to populate the network output measures methodology. Historical input data should where practicable be provided for a period of at least ten years preceding the year in which the proposal is submitted in accordance with paragraph 2.
5. The Authority shall review the proposals submitted to it under paragraph 2 and shall consult with the transmission licensees and where appropriate any other interested parties.
6. If the Authority is satisfied that the proposals achieve the purposes, the Authority shall approve the proposed network output measures methodology.
7. If the Authority is satisfied that the proposals would achieve the purposes if amended, the Authority may approve such proposals with such amendments as the Authority shall direct.

Part C: Implementation of the Network Output Measures

8. Where the network output measures methodology has been approved by the Authority under paragraph (6) or (7) the licensee shall:

- (a) from 1 April 2009, or such later date as the Authority may direct, record the network output measures as set out in the network output measures methodology together with the relevant input information;
 - (b) in respect of each financial year from 2009/10 (or such later date as the Authority may direct) submit a report on the network output measures to the Authority by 31 July (or such later date as the Authority may direct) of the year immediately following the end of the relevant financial year. The Authority will set out any corresponding specific reporting arrangements in the updated Price Control Review Information rigs as defined in condition in Standard Special Condition A40: Price Control Review Information..
9. Where the network output measures methodology has been approved by the Authority under paragraph (7) the licensee shall also provide the Authority the relevant data as specified under paragraph 4 (c) reflecting the amendments to the proposed network output measures methodology as directed by the Authority.

Part D: Modification to the Network Output Measures

10. The licensee shall at all times keep the approved network output measures methodology under review.
11. The licensee shall, subject to paragraph [12], make such modifications to the approved network output measures methodology as may be required to better achieve the purposes.
12. Except with the consent of the Authority, before making a modification to the network output measures methodology the licensee shall:
- (a) consult the other transmission licensees and other interested parties and allow them a period of not less than [28] days within which to make written representations;

- (b) furnish the Authority with a report setting out:
- (i) the terms originally proposed for the modification to the approved network output measures methodology;
 - (ii) the representations (if any) made to the licensee;
 - (iii) any changes in the terms of the proposed modification of the approved network output measures methodology proposed in consequence of such representations;
 - (iv) how the proposed modification better achieves the purposes;
 - (v) historical input data used to populate the modified network output measures methodology. Historical input data should where practicable be provided for a period of at least ten years preceding the year in which the modification was proposed;
 - (vi) a timetable for implementation of the proposed modification provided that no such modification may be implemented earlier than the date on which the period referred to in paragraph [14] expires; and
13. Where the Authority has given a direction that sub-paragraphs 11(a) and/or 11(b) should not apply, comply with such other requirements (if any) that the Authority may specify in the direction.
14. Where the licensee has complied with the requirements of paragraph [12], it shall, unless the Authority has within [28] days of the report being furnished to it given a direction that the modification may not be made, make the modification to the network output measures methodology. The Authority will set out any corresponding changes to the specific reporting arrangements in the updated Price Control Review Information rigs as defined in Standard Special Condition A40: Price Control Review Information..
15. The Authority may review the network output measures methodology (in consultation with the transmission licensee and/or interested parties) and revisions to the network output measures methodology may be directed by the Authority in

a manner specified in the directions and the licensee shall forthwith comply with any such directions. The Authority will set out any corresponding changes to the specific reporting arrangements in the updated Price Control Review Information rigs as defined in Standard Special Condition A40: Price Control Review Information..

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

1. The licensee shall provide statements to the Authority of the information specified in the following table, in respect of the activities covered by this licence, 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 C9 (Allocation of revenue and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) and terms used in the following tables shall have the meaning given to those terms in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity) and/or Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity).

Description	Licence definition	Period	Reporting deadline
NTS transportation owner activity			
TOMR _t	Maximum NTS transportation owner revenue	Formula years	By 30 June in formula year t+1
TOR _t	NTS transportation owner revenue	Formula years	By 30 June in formula year t+1
TOREVBEC _t	Revenue derived from the sale of NTS SO baseline entry capacity	Formula years	By 30 June in formula

			year t +1
$TOExRF_t$	Revenue derived in respect of the provision of NTS firm baseline exit capacity	Formula years	By 30 June in formula year t+1
$TOEx_t$	Revenue derived in respect of the provision of NTS firm exit capacity	Formula years	By 30 June in formula year t+1
$TOTFEx_t$	Volume of NTS firm exit capacity	Formula years	By 30 June in formula year t+1
$REVBExC_t$	Revenue derived from the sale of NTS baseline exit flat capacity and NTS baseline exit shipper capacity	Formula years	By 30 June in formula year t +1
$REVBFF_t$	Revenue derived from the sale of NTS baseline exit flow flexibility	Formula years	By 30 June in formula year t +1
TOK_t	NTS TO revenue adjustment	Formula years	By 30 June in formula year t+1
$DREVBEC_t$	Revenue from on the day sale of NTS SO baseline entry capacity	Formula years	By 30 June in formula year t+1
$PRIORREV_t$	Revenue from the sale of NTS SO baseline entry capacity occurring in any allocations taking place prior to 1 April 2002	Formula years	By 30 June in formula year t+1
$TORCOM_t$	NTS TO revenue not covered in	Formula years	By 30 June in formula

	TOREVBEC _t or TOExR _t		year t+1
SOTIEx _t	Total volume of interruptible capacity registered by shippers on 15 January	Formula years	By 30 June in formula year t+1
NTS prescribed rates	Amount of the charge incurred in respect of the prescribed rates or equivalent tax or duty in respect of the NTS TO activity	Formula years	By 30 June in formula year t+1
TOREVBExC _t	Revenue from the sale of NTS baseline exit flat capacity, NTS baseline exit shipper capacity and NTS baseline exit flow flexibility	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

NTS system operation revenue information

$SOMR_t$	Maximum NTS system operation revenue	Formula years	By 30 June in formula year t+1
$SOIR_t$	NTS system operation incentive revenue	Formula years	By 30 June in formula year t+1
$SOIC_t$	NTS system operation costs	Formula years	By 30 June in formula year t+1
$SORA_t$	Any allowance in respect of approved income adjusting events (whether of a positive or negative volume)	Formula years	By 30 June in formula year t+1
SOK_t	NTS SO revenue adjustment factor	Formula years	By 30 June in formula year t+1
$CNIC_t$	Total second capacity adjustment neutrality amount	Formula years	By 30 June in formula year t+1
$DQREV_{j,t}$	Revenue from the sale of obligated incremental entry capacity at terminal j that is not included in $REVOIEC_t$	Formula years	By 30 June in formula year t+1
$DREVBExC_t$	Revenue from on the day sales of NTS baseline exit flat capacity and NTS baseline exit shipper capacity	Formula years	By 30 June in formula year t+1
$DREVBFF_t$	Revenue from on the day sales of NTS baseline exit flow flexibility	Formula years	By 30 June in formula

			year t+1
FTI_t	Revenue from charges levied on gas shippers and DN operators in respect of failure to interrupt	Formula years	By 30 June in formula year t+1
$PRIORSELL_{m,d}^j$	Entry capacity allocated in any allocation occurring prior to 1 April 2002	For each day in the month in question	Two weeks after month end
$RBIC_t$	Sum of the basic net neutrality amount and the adjustment neutrality amount	Formula years	By 30 June in formula year t+1
$RCOM_t$	NTS SO Revenue not covered in $SOExRF_t$, $SORCAP_t$ or $SOROC_t$	Formula years	By 30 June in formula year t+1
$REVIExC_t$	Revenue from sales of NTS incremental exit flat capacity and NTS incremental exit shipper capacity	Formula years	By 30 June in formula year t+1
$REVIFF_t$	Revenue from sales of NTS incremental exit flow flexibility	Formula years	By 30 June in formula year t+1
RNC_t	Net revenue from balancing neutrality charges	Formula years	By 30 June in formula year t+1
$ECIIR_t$	Entry capacity incentive revenue	Formula years	By 30 June in formula year t+1
$SBIC_t$	System balancing costs	Formula years	By 30 June in formula

			year t+1
$REVOIEC_t$	Revenue from sales of obligated incremental entry capacity	Formula years	By 30 June in formula year t+1
$REVIBEC_t$	Revenue from sales of permanent obligated incremental entry capacity relating to periods more than 5 years	Formula years	By 30 June in formula year t+1

Exit capacity investment incentive information			
$ExCIIR_t$	Exit capacity investment incentive revenue	Formula years	By 30 June in formula year t+1
$ExCP_t$	Exit performance measure	Formula years	By 30 June in formula year t+1
$ExCC_t$	Costs incurred in use of constrained storage facilities to avoid transportation constraints	Formula years	By 30 June in formula year t+1
	Volumes, prices paid and charges forgone in respect of NTS exit capacity curtailment rights for all NTS connected sites, aggregated by exit zone	Formula years	By 30 June in formula year t+1
	Volumes and payments made in respect of the curtailment of rights to offtake gas from the NTS on	Formula years	By 30 June in formula year t+1

	plus 15 curtailment days, for all NTS connected sites, aggregated by exit zone		
	Volume and price of capacity bookings in constrained storage facilities	Monthly	2 weeks after month end
$IExR_t$	Incremental exit capacity revenue	Formula years	By 30 June in formula year t+1
$TExC_t$	Actual NTS exit capacity	Formula years	By 30 June in formula year t+1
$AExNTSIIC_t$	Weighted average charge payable in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days	Formula years	By 30 June in formula year t+1
$DMExC_t$	NTS exit capacity for DM supply meter points, DM connected system exit points and storage connection points	Formula years	By 30 June in formula year t+1
$ExC_{z,d}$	Volume of capacity at supply point, connected system exit point or storage connection point z which is interruptible	For each day in the year	By 30 June in formula year t+1
$ExFC_{z,d}$	NTS exit capacity charge per unit payable in respect of $ExC_{z,d}$	For each day in the year	By 30 June in formula year t+1
$ExUCC_{z,d}$	NTS exit capacity charge per unit	For each day	By 30 June

	that would be payable in respect of $ExC_{z,d}$ if that capacity were not interruptible	in the year	in formula year t+1
$ExNTSC_z^{Jan\ 15th}$	Interruptible NTS exit capacity registered at point z on 15 January	Formula years	By 30 June in formula year t+1
$ExNTSIIC_{z,d}$	Payments made in respect of plus 15 curtailment days at point z	For each day in the year	By 30 June in formula year t+1
$RExCP_t$	Depreciation and financing costs of NTS incremental firm exit capacity	Formula years	By 30 June in formula year t+1
$TNDMT_t$	Total volume of gas deemed to be transported from the NTS to NDM points	Formula years	By 30 June in formula year t+1
$ExIT_t$	Exit incentive target	Formula years	By 30 June in formula year t+1
$ExNTSIT_t$	Incentive target for charges foregone	Formula years	By 30 June in formula year t+1
$ExNTSSIC_t$	Payments made or value accrued in respect of charges foregone as a result of exit capacity curtailment rights	Formula years	By 30 June in formula year t+1
$ExNTSIIC_t$	Payments made in respect of plus 15 curtailment days	Formula years	By 30 June in formula year t+1

Entry capacity buy-back incentive information			
IECCC _t	Total entry capacity constraint management costs	Formula years	By 30 June in formula year t+1
IECCC _t	Total entry capacity constraint management costs	Year to date	Monthly 2 weeks after month end
BBIR _t	Entry capacity buy-back incentive revenue	Formula years	By 30 June in formula year t+1
BBIR _t	Cumulative balance and end of year forecast of entry capacity buy-back incentive revenue	Year to date	Monthly 4 weeks after month end
BBCP _t	Entry capacity buy-back performance measure	Formula years	By 30 June in formula year t+1
BBCP _t	Entry capacity buy-back performance measure	Year to date	Monthly 4 weeks after month end
BBC _{d,t}	Entry capacity buy-back costs	For each day in the month	Monthly 2 weeks after month end
	Volume and prices of entry capacity buy-backs by terminal	For each day in the month	Monthly 2 weeks after month end
ECCC _{d,t}	Entry capacity constraint payments	For each day	Monthly 2 weeks after

		in the month	month end
	Revenue from daily sales of obligated entry capacity	For each day in the month	Monthly 2 weeks after month end
	Volumes and prices of obligated entry capacity sold daily by terminal	For each day in the month	Monthly 2 weeks after month end
	Revenue from sales of interruptible entry capacity	For each day in the month	Monthly 2 weeks after month end
	Volumes and prices of sales of interruptible entry capacity identifying volumes of use it or lose it entry capacity by terminal	For each day in the month	Monthly 2 weeks after month end
	Revenue from sales of non-obligated incremental system entry capacity	For each day in the month	Monthly 2 weeks after month end
	Volumes and prices of non-obligated incremental system entry capacity by terminal	For each day in the month	Monthly 2 weeks after month end
RLOC _t	Revenue from locational sell actions	Formula years	For formula years $t \geq 3$ by 30 June in formula year $t + 1$
	Volumes, locations and prices of locational actions by trade	day	For formula years $t \geq 3$

			D + 1
RCOR _t	Revenue from system entry overrun charges	Monthly	4 weeks after month end
	Volume and prices of system entry capacity overruns by terminal	Monthly	4 weeks after month end
	Volume of system entry capacity terminal flow advice issued by Transco plc and any associated costs	Monthly	4 weeks after month end
RPIC _{d,t}	Revenue from a physical renomination incentive charge	For each day in the year	By 30 June in formula year t+1
DDCR _t	Revenue from on-the-day sales of obligated entry capacity	Formula years	By 30 June in formula year t+1

Residual balancing incentive information			
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STIP _t	Sum of total daily residual balancing incentive payments	Formula years	By 30 June in formula year t+1
STIP _t	Sum of total daily residual balancing incentive payments	Year to date	Monthly 2 weeks after month end
RBIR _t	Residual gas balancing incentive revenue	Formula years	By 30 June in formula year t+1

$RBIR_t$	Cumulative balance and end of year forecast of residual gas balancing incentive revenue	Year to date	Monthly 2 weeks after month end
$SDPIP_t$	Sum of daily price incentive payments	Formula years	By 30 June in formula year t+1
$SDPIP_t$	Sum of daily price incentive payments	Year to date	Monthly 2 weeks after month end
$SDLIP_t$	Sum of daily linepack incentive payments	Formula years	By 30 June in formula year t+1
$SDLIP_t$	Sum of daily linepack incentive payments	Year to date	Monthly 2 weeks after month end
$DPIP_{d,t}$	Daily price incentive payment	For each day in the month in question	2 weeks after month end
$DLIP_{d,t}$	Daily linepack incentive payment	For each day in the month in question	2 weeks after month end
$PPM_{d,t}$	Daily residual balancing price performance measure	For each day in the month in question	2 weeks after month end
$LPM_{d,t}$	Linepack performance measure	For each day in the month in question	2 weeks after month end

$OLP_{d,t}$	Opening linepack levels NTS linepack at 06:00 hours on day D	For each day in the month in question	2 weeks after month end
$CLP_{d,t}$	Closing linepack levels NTS linepack at 06:00 hours on day D+1	For each day in the month in question	2 weeks after month end
$SAP_{d,t}$	System average price	Daily	D+1
$TMIBP_{d,t}$	Highest market offer price in relation to an eligible market balancing action	Daily	D+1
$TMISP_{d,t}$	Lowest market offer price in relation to an eligible market balancing action	Daily	D+1

System balancing incentive information			
$SBIR_t$	System balancing incentive revenue	Formula years	By 30 June in formula year t+1
$SBIR_t$	Cumulative balance and end of year forecast of system balancing incentive revenue	Year to date	Monthly 4 weeks after month end
$GCIR_t$	Gas cost incentive revenue	Formula years	By 30 June in formula year t+1
$GCIR_t$	Cumulative balance and end of	Year to date	Monthly 4

	year forecast of gas cost incentive revenue		weeks after month end
	Daily system gas balancing volumes	For each day in the month in question	2 weeks after month end
SRIR _t	System reserve incentive revenue	Formula years	By 30 June in formula year t+1
SRIR _t	Cumulative balance and end of year forecast of system reserve incentive revenue	Year to date	Monthly 4 weeks after month end
GCCP _t	Gas cost incentive performance measure	Formula years	By 30 June in formula year t+1
GCCP _t	Gas cost incentive performance measure	Year to date	Monthly 4 weeks after month end
SRCP _t	System reserve performance measure	Formula years	By 30 June in formula year t+1
SRCP _t	System reserve performance measure	Year to date	Monthly 4 weeks after month end
	Volume and price of Transco plc's storage bookings by storage facility	For each day in the month in question	2 weeks after month end
GC _t	Costs incurred in the provision of	Formula years	By 30 June in formula

	NTS shrinkage other than ECC_t		year t+1
ECC_t	Costs incurred in purchasing and procuring fuel for electric compressors on the NTS	Formula years	By 30 June in formula year t+1
$UDQI_{t-2,q,d}$	Sum of gas shippers' user daily quantity inputs at Bacton, Barrow, Easington, St Fergus, Teesside, Theddlethorpe, Isle of Grain and Miford Haven	For each day of the year for formula year t-2	By 30 June in formula year t+1
$UDQI^S_{t-2,q,d}$	Sum of gas shippers' user daily quantity input at storage connection point S	For each day of the year for formula year t-2	By 30 June in formula year t+1
$UDQO^S_{t-2,q,d}$	Sum of gas shippers' user daily quantity output at storage connection point S	For each day of the year for formula year t-2	By 30 June in formula year t+1
$GCIT_t$	NTS SO gas cost incentive target	Formula years	By 30 June in formula year t+1
$GCRP_t$	NTS SO gas cost reference price	Formula years	By 30 June in formula year t+1

Internal cost incentive information			
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$ICIR_t$	Internal cost incentive revenue	Formula years	By 30 June in formula year t+1
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$ICCP_t$	Internal costs performance measure	Formula years	By 30 June in formula year t+1
$SOOC_t$	NTS SO operating cost	Formula years	By 30 June in formula year t+1
$SODCP_t$	Depreciation on the NTS SO regulatory asset base	Formula years	By 30 June in formula year t+1
$SORCP_t$	Deemed return on the NTS SO regulatory asset base	Formula years	By 30 June in formula year t+1

NTS exit capacity buy-back and interruption incentive information			
$ExCBBIIR_t$	NTS exit capacity buy-back and interruption incentive revenue	Formula years	By 30 June in formula year t+1
$ExCBBIIIT_t$	NTS exit capacity buy-back and interruption incentive target	Formula years	By 30 June in formula year t+1
$ExCBBICP_t$	NTS exit capacity buy-back and interruption performance measure	Formula years	By 30 June in formula year t+1
$ExCCMC_t$	Total NTS exit capacity constraint management costs	Formula years	By 30 June in formula year t+1
$ExBBC_{d,t}$	Exit capacity buy-back costs	For each day	By 30 June in formula

		of the year	year t+1
ExCCC _{d,t}	NTS Exit capacity constraint payments	For each day of the year	By 30 June in formula year t+1

Other information required for general market monitoring			
	Daily system demand	Daily	D+1
	Daily interconnector flows at Bacton and at Moffat	For each day in the month in question	Two weeks after month end
	Daily system allocations by entry terminal by gas shipper	For each day in the month in question	Four weeks after month end
	Daily gas shipper imbalances	For each day in the month in question	Four weeks after month end
	Gas shipper system entry capacity holdings excluding daily sales by gas shipper by terminal by day	For each day in the week in question	One week after week end

2. If, prior to the fulfilment of its obligations under paragraph 3 of this 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 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 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 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 C8B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity) in respect of the formula year to which the statement relates; and
 - that statement used data compiled in accordance with Special Condition C9 (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) and is consistent with the licensee's accounting records; and
 - any explanations given by the licensee under paragraphs 2 and 3 of this condition in respect of the formula year in question were reasonable and consistent with the information supplied.
5. The licensee shall provide a statement of the following information to the Authority and publish that statement not later than seven (7) days prior to the start of any allocation of entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day:
 - (a) the terminal to which such allocation relates;
 - (b) the amount of unallocated NTS SO baseline entry capacity and unallocated obligated incremental entry capacity at the terminal (both as defined in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity)) that is available

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- on the day that the statement is published which the licensee will offer for sale in the allocation and the period to which such capacity relates;
- (c) the reserve price if any to be applied to such allocations;
 - (d) the licensee's opinion as to future levels of entry capacity at the terminal to which the allocation relates accompanied by background information (if any) in support of such opinion including the licensee's opinion as to future aggregate volumes of gas to be transported through the NTS;
 - (e) the commencement time and date of the allocation; and
 - (f) when the gas shippers shall be informed of the outcome of the allocation;
6. The licensee shall provide a statement of the following information, by terminal and by the month to which it relates, to the Authority and publish that statement not later than fourteen (14) days after the close of any allocation of entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day:
- (a) the volume of NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated incremental entry capacity allocated;
 - (b) the total amount of the revenue derived and to be derived by the licensee in respect of the NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated incremental entry capacity allocated;
 - (c) the highest price accepted by the licensee for a unit of entry capacity allocated;
 - (d) the lowest price accepted by the licensee for a unit of entry capacity allocated; and
 - (e) the weighted average price accepted by the licensee for a unit of entry capacity allocated.

Special Condition C16: NTS performance reporting

The principal purpose of this condition is to secure the collection of information to an appropriate degree of accuracy, by the licensee so as to monitor the environmental performance of the NTS.

2. The licensee shall establish appropriate systems, processes and procedures to measure and record specified information from the dates specified in paragraph 4 of this condition and in accordance with regulatory instructions and guidance (including any associated information specified therein).
3. For the purposes of this condition:

“charging review date” means any date from which modifications to Special Condition C8B (The NTS transportation owner activity revenue restriction) relating to the NTS have effect:

- (a) whether before or after the date upon which the modifications are made; and
- (b) where such modifications have been proposed by the Authority following a review by the Authority of the revenue restrictions in Special Condition C8B (The NTS transportation owner activity revenue restriction) in relation to the licensee;

“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;

means the NTS TO activity revenue restriction in Special Condition C8B (The NTS transportation owner activity

“revenue restriction”	revenue restriction).
“regulatory instructions and guidance”	means any instructions and guidance issued by the Authority for the purposes of this condition as modified from time to time by notice under paragraph 9 and may include: <ul style="list-style-type: none"><li data-bbox="603 672 1404 929">(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;<li data-bbox="603 996 1404 1254">(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;<li data-bbox="603 1321 1404 1411">(c) the meaning of words and phrases used in defining specified information;<li data-bbox="603 1478 1404 1736">(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;<li data-bbox="603 1803 1404 1944">(e) requirements as to the form and manner in which specified information shall be provided to the Authority; and

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- (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;

“specified information” means:

- (a) information regarding environmental measures including:
- (i) methane emissions from the NTS in each formula year measured in kilograms per gigawatt hour in the form and manner specified in the regulatory instructions and guidance;
 - (ii) carbon dioxide emissions from gas powered compressor stations in each formula year measured in kilograms per gigawatt hour in the form and manner specified in the regulatory instructions and guidance; and
 - (iii) nitrogen oxide emissions from gas powered compressor stations in each formula year in the form and manner specified in the regulatory instructions and guidance.
- (b) an analysis of trends observable from the NTS environment measures.
- (c) supporting information including:
- (i) information regarding all new connections from the NTS to premises or pipe-line systems

operated by an authorised gas transporter to the NTS in the form and manner specified in the regulatory instructions and guidance;

(ii) information regarding all rechargeable diversions from the NTS in the form and manner specified in the regulatory instructions and guidance;

(iii) information regarding the accuracy of one and three-year ahead annual demand forecasts in the form and manner specified in the regulatory instructions and guidance; and,

(d) 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-paragraphs (a) to (c) of the definition of specified information from and including 1 April 2007; and

(b) any matter specified under sub-paragraph (d) of that definition from the date specified in a notice given in accordance with paragraph 9.

5. (a) The licensee shall provide to the Authority the information referred to in sub-paragraphs (a) to (c) of the definition of specified information on or before 31 July 2008 and 31 July in each succeeding year (or such later date as the Authority may by notice specify) in respect of the period of 12 months ending on the preceding 31 March; and

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- (b) the information referred to in sub-paragraph (d) 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 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) cooperate 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 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 (other than information which is subject to legal privilege);

(ii) to carry out inspections, measurements and tests on or in relation to any systems maintained and operated for or in relation to the requirements of this condition; and

(iii) to take onto such premises or onto or into any assets used for the purpose of the NTS such other persons and such equipment as may be necessary or expedient for the purpose of carrying out the examination.

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

(a) improve the presentation or style of the requirements of those regulatory instructions and guidance;

(b) further clarify the meaning of words and phrases used within such requirements to define the information to be provided;

(c) improve the form or manner in which such information is to be provided under such requirements; or

(d) introduce additional categories of specified information or enlarge existing categories of specified information

in such ways as the Authority may reasonably require so as more effectively to achieve the principal purpose of this condition, the Authority may, subject to paragraphs 10 to 13, modify the regulatory instructions and guidance by issuing a direction for that purpose to the licensee.

10. Before issuing a direction under paragraph 9, the Authority, by notice given to the licensee, shall:

(a) state that it proposes to make a modification and set out the date on which it proposes that this should take effect;

(b) set out the text of the modification, the purpose and the effect of the modification, and the reasons for proposing it; and

(c) specify the time (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modifications may be made

and must consider any representations or objections which have been duly made and are not withdrawn, and give reasons for its decision.

11. Where any proposed modification of the regulatory instructions and guidance relates:

(a) to a requirement under those regulatory instructions and guidance to provide specified information to a greater level of accuracy; or

(b) to the introduction into those regulatory instructions and guidance of an additional category of specified information

the Authority may not make that modification except in accordance with the procedure under section 23 of the Act which would apply to the modification if it were a modification of this condition.

12. Any modification of the regulatory instructions and guidance made under paragraph 9 to enlarge an existing category of information may not have the effect of including within that category information that the licensee could not be required to provide to the Authority under paragraph 1 of standard special condition A26 (Provision of Information to the Authority), excluding the effects of paragraph 8 of that condition.

13. The provision of the regulatory instructions and guidance may not exceed what may be reasonably required to achieve the purpose of this condition or purport to have effect with respect to the interpretation of any other condition of this licence of the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.

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

Special Condition C17: Exit Code Statement

1. By 30 June 2003 and by 30 June in each subsequent formula year (or such other date as the Authority may direct in writing), the licensee shall prepare and submit to the Authority an exit code statement (“the exit code statement”).
2. Except to the extent the Authority shall otherwise specify, the exit code statement referred to in paragraph 1 shall include:
 - (i) a description of the services which have been provided to (1) the NTS TO activity and/or the NTS SO activity by the Distribution Network transportation activity; and (2) the Distribution Network transportation activity by the NTS TO activity and/or the NTS SO activity in the previous formula year; and
 - (ii) provide details of any revenue received or charges made by (1) the Distribution Network transportation activity from the NTS TO activity and/or NTS SO activity; and (2) the NTS SO activity and/or the NTS TO activity from the Distribution Network transportation activity in respect of each of the services referred to in sub-paragraph (i) above in the previous formula year.
3. The terms “**NTS TO activity**”, “**NTS SO activity**”, “**Distribution Network transportation activity**” and “**Distribution Network**” shall have the meaning given in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity).

Special Condition C18: Licensee's methodology for determining incremental exit capacity volumes

1. In this condition:

“incremental exit capacity” means NTS exit capacity that is in excess of the initial volume allocation; and

“initial volume allocation” means for an NTS exit point (having the meaning given to that term in the network code):

(a) for an NTS Supply Point or NTS Connected System Exit Point (having the meaning given to these terms in the network code) the aggregate quantity of NTS exit capacity that gas shippers are registered as holding pursuant to the network code; or

(b) for an NTS/LDZ Offtake (having the meaning given to that term in the network code), the aggregate quantity of NTS exit flat capacity or the aggregate quantity of NTS exit flow flexibility which:

(i) for the period until 30 September 2008 is as set out in the Offtake Capacity Statements (having the meaning given to that term in the network code) as at 1 May 2005 (or such later date as the Authority otherwise directs in writing), and

(ii) for the period from 1 October 2008 to 30 September 2010 is as approved by the Authority in writing and published in the statement prepared pursuant to paragraph 2.

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2. The licensee shall before 1 April 2007 or such later date as the Authority may direct and thereafter before 1 April in each subsequent formula year (or such later date in each formula year as the Authority may approve) prepare and submit for approval by the Authority an NTS exit capacity release methodology statement setting out (consistently with the licensee's duty under the Act, and the standard, Standard Special and Special Conditions of this licence) the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators.
 3. If directed by the Authority in writing, the statement shall be accompanied by a statement from appropriate auditors confirming 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 developed a methodology that is in line with the licensee's duty under the Act, and the standard, Standard Special and Special Conditions of this licence.
 4. Unless the Authority otherwise directs (such direction to be made within 2 months of the receipt by the Authority of a statement prepared pursuant to paragraph 1 of this condition) the licensee shall, in making any decisions on whether to release NTS exit capacity for sale to gas shippers or DN operators, take all reasonable steps to apply the methodology set out in that statement, and shall do so on the earlier of:
 - (i) the date of receipt of a notice from the Authority approving the statement; or
 - (ii) the expiry of that two month period.
 5. Except where the Authority directs otherwise or paragraph 6 applies, before submitting the statement referred to in paragraph 1 by 1 April 2007 (or such later date as the Authority may direct) pursuant to paragraph 1 or revising the exit capacity release methodology statement, the licensee shall:

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- (i) when revising the the exit capacity release methodology statement, send a copy of the proposed revisions to the Authority and to any person who asks for one;
 - (ii) consult gas shippers and DN operators and allow them a period of not less than 28 days in which to make representations;
 - (iii) within 7 days of the close of the consultation referred to in paragraph 4(ii) of this condition submit to the Authority a report setting out:
 - the revisions originally proposed,
 - the representations (if any) made to the licensee,
 - any change to the revisions; and
 - (iv) where the Authority directs that paragraphs 4(i), (ii) and (iii) of this condition or any of them shall not apply, comply with any such other requirements as may be specified in the direction.
6. The licensee shall be entitled to revise the exit capacity release methodology statement at any time referred to in paragraph 4, save that it shall not revise such statement:
- (i) where paragraph 4(iv) in this condition applies, before the day (if any) specified in the direction made pursuant to that sub-paragraph;
 - (ii) where there is no such direction, or no date is specified in such direction, until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph 4(iii) of this condition; or
 - (iii) if within the period referred to in paragraph 4(ii) of this condition the Authority directs the licensee not to make the revision.

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7. (a) The licensee shall, if so directed by the Authority but in any event at least once a year, review the statement prepared pursuant to paragraph 1 of this condition in consultation with gas shippers, DN operators and other interested persons likely to be affected thereby and allow them a period of not less than 28 days in which to make representations.
- (b) Within 7 days of the close of the consultation referred to in paragraph 6(a) of this condition, the licensee shall send to the Authority:
- (i) a report on the outcome of the review which shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to paragraph 1 of this condition;
- (ii) any revision to the statement proposed (having regard to the outcome of the review) by the licensee in order to ensure that the statement remains consistent with the licensee's duties under the Act and the standard, Standard Special and Special Conditions of this licence; and
- (iii) any written representations or objections from gas shippers, DN operators and other interested parties, including proposals for revision not accepted by the licensee, arising during the consultation and subsequently maintained.
- (c) The licensee may revise the statement only in accordance with any revision within paragraph 6(b)(ii) of this condition and only if the Authority consents to such revision.
8. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 1 of this condition.

9. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 1, 2, 3, 4, 5 and 6 of this condition and of all revisions to any such statements and reports.

10. The licensee shall:

- (a) publish (in such manner as the Authority may direct) the statements prepared pursuant to paragraph 1 of this condition and each revision thereof, and
- (b) send a copy of each statement and report prepared pursuant to paragraphs 1, 2, 3, 4, 5 and 6 of this condition or the latest revision of any such statement and report to any person who requests the same, provided that the licensee shall exclude from publication, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect that person's interests,

and, for the purposes of paragraph 9(b) of this condition, the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

11. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 9(b) of this condition of an amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

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

1. Consistently with the undertaking to be procured under paragraph 2 below, where the licensee:
 - (a) procures services from a DN operator, the licence for which is held in the same legal entity as the licensee; and/or
 - (b) provides services to such DN operator, notwithstanding the fact that these licences are held in the same legal entity, the licensee shall enter into and comply with written arrangements for the provision and/or procurement of services between the licensee and such DN operator. Such arrangements are to be entered into on arm's-length commercial terms having the same effect as, and not being unduly different from, those which would apply:
 - (i) if the licensee entered into a contract with a relevant gas transporter to provide and/or procure the same services (regardless of whether such contract exists or not); and
 - (ii) if the licensee and such DN operator were in fact held in separate and unrelated legal entities.
2. The licensee shall procure from each company or other person which is at any time an ultimate controller of the licensee, a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that the ultimate controller will instruct, direct and procure that the licensee shall:
 - (a) conduct its transportation business in a manner best calculated to secure that the businesses of DN operators, the licences for which are held by the holder of this licence in the same legal entity, do not obtain any unfair commercial advantage (including any such advantage from a preferential or discriminatory arrangement); and
 - (b) enter into and comply with written arrangements, which if the businesses of such DN operators were not held within the same legal entity, would be a contract on arm's-length commercial terms.
3. The licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 2;
- (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) comply with any direction from the Authority to enforce any such undertaking;

and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when -

- (i) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
- (ii) there is an unremedied breach of such undertaking; or
- (iii) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.

4. In this condition, “relevant gas transporter” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall exclude Transco plc both in its capacity as the licensee and in its capacity as a DN operator.

Special Condition C20: Separation of NTS and Distribution Network**Businesses**

1. The licensee, in carrying out its gas transportation business in respect of the NTS, shall forthwith put in place and at all times maintain such managerial and operational systems which are necessary to ensure that the licensee complies with the obligations contained in Standard Special Condition A6 (Conduct of the Transportation Business) and Standard Special Condition A35 (Prohibition of Cross-Subsidies).
2. Unless otherwise directed by the Authority, the licensee shall by no later than 1 May 2005 have in place a statement (“**the statement**”), approved by the Authority, describing the practices, procedures and systems which the licensee has adopted (or intends to adopt) to secure compliance with paragraph 1.
3. Where the Authority does not indicate otherwise within 60 days of receipt of the statement, the statement shall be deemed to be approved by the Authority.
4. The statement shall in particular (but without prejudice to the generality of paragraph 1) set out how the licensee shall:
 - (a) maintain appropriate managerial and operational independence of the transportation business in respect of the NTS from any associated gas transporter business;
 - (b) secure that no breach of the requirements of paragraph 1 shall occur as a result of any arrangements for access by any associated gas transporter business or by any person engaged in, or in respect of, the associated gas transporter business with respect to:
 - (i) premises or parts of premises occupied by persons engaged in, or engaged in respect of, the management or operation of the transportation business in respect of the NTS;
 - (ii) systems for the recording, processing or storage of data to which persons engaged in, or engaged in respect of, the management or operation of the transportation business in respect of the NTS have access;

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

Such managerial boards shall be bodies consisting of at least two members, two of whom shall be directors of Transco plc. These managerial boards shall be responsible for directing the affairs and taking all substantial decisions relating to the business in respect of which they have been established. Each member of such managerial boards who is also a director of Transco plc shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the managerial board he or she is a member of has been established.

6. The licensee shall revise the statement prepared in accordance with paragraph 2 when circumstances change so that the statement prepared in accordance with paragraph 2 no longer secures compliance with paragraph 1. Such revision of the statement shall only become effective once the Authority has approved the revised statement in accordance with paragraphs 2 or 3.

7. The licensee shall use its best endeavours to ensure compliance with the terms of the statement as from time to time revised and approved by the Authority.
8. The licensee shall publish a copy of the approved statement prepared in accordance with paragraph 2 (or the latest approved revision) on its company website within five working days of its approval by the Authority.
9. In this condition “**associated gas transporter business**” means an affiliate, related undertaking, or business unit of the licensee which is a DN operator.

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

1. The licensee shall ensure, following consultation with the Authority that a competent person (who shall be known as the “business separation compliance officer”) shall be appointed for the purpose of facilitating compliance by the licensee with Standard Special Condition A6 (Conduct of Transportation Business), Special Condition C20 (Separation of NTS and Distribution Network Businesses), Special Condition C19 (Undertaking from ultimate controller concerning non-discrimination between the NTS transportation activity and the Distribution Network transportation activity) and Standard Special Condition A35 (Prohibition of Cross Subsidies) (together, the “**relevant duties**”). The business separation compliance officer may be the same person as is appointed as compliance officer under Standard Special Condition A34 (Appointment of Compliance Officer).
2. The licensee shall at all times ensure that the business separation compliance officer is engaged for the performance of such duties and tasks as are appropriate for the purpose specified in paragraph 1, which duties and tasks shall include those set out at paragraph 6.
3. The licensee shall establish a compliance committee (being a sub-committee of the board of directors of the licensee) for the purpose of overseeing and ensuring the performance of the duties and tasks of the business separation compliance officer set out in paragraph 2 and the compliance of the licensee with its relevant duties. Such compliance committee shall report to the audit committee of the ultimate controller and shall include among its members such person in the licensee’s business as is responsible for the management of regulatory issues relating to the licensee.
4. The licensee shall procure that the business separation compliance officer:
 - (a) is provided with such staff, premises, equipment, facilities and other resources; and
 - (b) has such access to the licensee’s premises, systems, information and documentation

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

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

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

- (c) set out the details of any investigations conducted by the business separation compliance officer, including:
 - (i) the number, type and source of the complaints or representations on which such were based;
 - (ii) the outcome of such investigations; and
 - (iii) any remedial action taken by the licensee following such investigations.
9. The licensee shall, as soon as reasonably practicable, submit to the Authority a copy of the report produced in accordance with paragraph 7 of this condition, and shall publish the report on its website.

Special Condition C22: Energy Administration: NTS Shortfall Contribution**Obligations**

- (1) The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its licensed activities (“charges”) to raise such amounts as are specified by the Secretary of State in a shortfall direction:
 - (i) from the persons; and
 - (ii) in the manner,

specified in such shortfall direction, and to pay such amounts to the persons specified in the shortfall direction.

- (2) Where there is a shortfall during or at the completion of an energy administration the Secretary of State, after consultation with the Authority and the licensee, may issue one or more shortfall directions (including one or more shortfall directions to modify or replace any previously issued shortfall direction or directions) to the licensee specifying:
 - (a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));
 - (b) the amount to be raised by the licensee and applied in making good the shortfall;
 - (c) the persons to whom the amount referred to in sub-paragraph (b) above is to be paid (“shortfall payment recipients”);
 - (d) the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b) above, and any other relevant information

to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;

- (e) the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) above (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee's normal billing cycle);
- (f) the date by which the licensee is required to pay the shortfall payment recipients the amount referred to in sub-paragraph (b) above (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);
- (g) where the shortfall includes relevant debts owed to more than one shortfall payment recipient, the priority in which the amount referred to in sub-paragraph (b) above is to be applied in discharging those debts;
- (h) the extent to which a subsequent shortfall direction modifies or replaces a previously issued shortfall direction;
- (i) where a shortfall direction is to modify or replace any previously issued shortfall direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 5 below; and
- (j) the amount the licensee is permitted to raise and retain for administering the mechanism contained in this condition ("permitted administration fee") and the manner in which the permitted administration fee is to be raised,

and the licensee shall comply with any such shortfall direction.

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- (3) As soon as reasonably practicable after receiving a shortfall direction, the licensee shall:
- (a) modify its charges (in accordance with any method or methods specified in the shortfall direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the shortfall direction (including, at the licensee's discretion, any permitted administration fee); and
 - (b) notify the persons who are subject to the charges so modified of:
 - (i) the modifications made to the charges;
 - (ii) any modification to the date or time period within which such charges shall be paid;
 - (iii) the reason for those modifications; and
 - (iv) the interest rate applicable to late payment of such modified charges.
- (4) The licensee shall on or before the date (or dates) specified in the shortfall direction pay the amount raised under sub-paragraph 3(a), (excluding any permitted administration fee), to the shortfall payment recipients, in accordance (where applicable) with any priority set out in the shortfall direction. For the avoidance of doubt the licensee shall not at any time be under any liability:
- (i) to make any payments to any shortfall payment recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any permitted administration fee); or

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- (ii) to pay interest to any shortfall payment recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of monies to the licensee.
- (5) Save where the Secretary of State specifies otherwise in a shortfall direction modifying or replacing a previously issued shortfall direction, if the amount raised by the licensee under sub-paragraph 3(a) (excluding any permitted administration fee):
- (a) is less than the amount the licensee is obliged to raise by the shortfall direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee shall:
- (i) as soon as reasonably practicable, modify its charges (in accordance with any method or methods specified in the shortfall direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the shortfall direction; and
- (ii) pay that amount to the shortfall payment recipients as soon as reasonably practicable but otherwise in accordance with the shortfall direction; or
- (b) is more than the amount the licensee is obliged to raise by the shortfall direction to be applied in making good the shortfall, the licensee shall as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.
- (6) For the purposes of sub-paragraph 3(a) and paragraph 5:
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- (a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence and/or the uniform network code and any charges levied by the licensee after modification pursuant to sub-paragraph 3(a) or paragraph 5 of this condition shall be deemed to be compliant with the licensee's obligations under Standard Special Condition A4 (Charging - General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology) as from time to time amended;
 - (b) the licensee shall not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and shall take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and
 - (c) in modifying its charges for the purposes of this condition the licensee shall not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or such differences in charges are required to give effect to the shortfall direction.
- (7) The licensee shall, immediately after making any payment under paragraphs 4 or 5 above, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the shortfall payment recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.
- (8) In calculating the licensee's revenue during any period for the purposes of the charge restriction conditions, any change in the licensee's revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.

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- (9) The licensee shall prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of sub-paragraph 3(a) or paragraph 5, a statement showing:
- (a) the aggregate amount of its revenue derived from any modification to charges in pursuance of sub-paragraph 3(a);
 - (b) the aggregate amount of its revenue derived from any modification to charges in pursuance of sub-paragraph 5(a);
 - (c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of sub-paragraph 5(b); and
 - (d) the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, sub-paragraph 5(a),

and shall give the statement to the Authority within four months of the expiration of the period to which it relates.

- (10) On giving the statement mentioned in paragraph 9 to the Authority, the licensee shall also publish it on its website.
- (11) In this condition:
- (a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;
 - (b) “charge restriction condition” means any condition (including, without limitation, any revenue restriction condition) of this licence which places a monetary limitation on the revenue which may be recovered by the licensee during a given period; and

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- (c) “shortfall direction” means a direction issued by the Secretary of State for the purpose of meeting any “relevant debt”, within the meaning given to those words in section 169(4) of the Energy Act 2004 (including (i) any modifications to such direction made by any subsequent shortfall direction or (ii) any shortfall direction replacing a previous shortfall direction).

Note: This licence condition will come into force in April 2009, allowing time for completion of the review of the NGG's planning methods, to develop the planning code and the Network Model.

Special Condition C24: Network Model

1 The licensee shall in consultation with interested parties prepare, develop, maintain and make available to interested parties a functioning computer simulation model of its network to be known as the licensee's Network Model.

(a) The licensee's Network Model shall be based on the licensee's Transmission Planning Code and shall include but not be limited to:

- (i) modelling the capability of the licensee's network to transport gas between entry and exit points;
- (ii) software necessary to model the technical capacity characteristics of the licensee's network in accordance with planning standards included in the licensee's Transmission Planning Code;
- (iii) capability for modelling capacity such that exchange rates between different entry points and different exit points on the network can be determined;
- (iv) modelling the ability of the network to store gas (linepack);
- (v) modelling the ability of the network to provide flexibility capacity;
- (vi) modelling the ability of the network to accommodate changes in flow rates (ramp rates) at each entry and exit point;

(b) which is designed so as:

- (iv) to facilitate the development, maintenance and operation of an efficient co-ordinated and economical system for the transmission of gas;
 - (v) to facilitate competition in the production, shipping and supply of gas (and without limiting the foregoing, to facilitate the licensee's transmission system being made available to persons authorised to supply or produce gas on terms which neither prevent nor restrict competition in the supply, shipping, production, storage or importation of gas);
 - (vi) to facilitate the efficient transfer, trading and substitution of entry and exit capacity between different points on the network; and
 - (vii) to facilitate the transparent communication of information to interested parties regarding the technical capability of the network; and
 - (viii) subject to paragraphs (i) to (iv), to promote the security and efficiency of the gas production, transmission and distribution systems in Great Britain;
- (c) the licensee shall:
- (i) provide a software platform that allows remote internet access enabling interested parties to operate the Network Model;
 - (ii) Provide data to populate the model, including but not limited to:
 - a. data for all material technical aspects relating to the capability of the extant and planned network to transport gas between entry and exit points;

- b. physical data pertaining to the licensee's network that is required by the computer model to perform calculations to determine network capacity
 - c. baseline capacity at each network entry and exit point;
 - d. capacity bookings at each entry and exit point;
 - e. forecasts of demand at each network exit point for the gas days specified in the licensee's Transmission Planning Code; and
 - f. forecasts of calorific value of gas at each entry point and throughout the network;
- and
- (iii) publish and comply with formal procedures for revising and updating data used within the model.

The procedures for revising and updating data used within the model shall be considered to be part of the model and require approval of the Authority.

- 2 The licensee's Network Model in force at the date this condition comes into force shall be provided to the Authority for its approval. The licensee shall commission an independent expert who shall review the Network Model and provide a report of the review which shall be sent to the Authority. The report shall include but not be limited to the independent expert's opinion on the extent to which the Network Model satisfies the objectives set out in this licence condition. Thereafter the licensee shall (in consultation with interested parties) periodically review (including upon the request of the Authority) the licensee's Network Model. Following any such review, the licensee shall send to the Authority:

- (a) a report on the outcome of such review; and

- (b) any proposed revisions to the licensee's Network Model from time to time as the licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives referred to in paragraph (b) of paragraph 1; and
 - (c) any written representation or objections from interested parties liable to be materially affected thereby arising during the consultation process and subsequently maintained.
- 3 Where a change to the Network Model is proposed the licensee shall commission an independent expert who shall review the Network Model and provide a report of the review which shall be sent to the Authority. The report shall include but not be limited to the independent expert's opinion on the extent to which the proposed changes to the Network Model better facilitates the objectives set out in this licence condition.
- 4 Following a change to the Network Model, the licensee shall appoint an independent auditor to review and report on the implementation of the change. A copy of the auditors report shall be published on the licensee's web site and a copy sent to the Authority.
- 5 Having regard to any written representations or objections referred to in subparagraph (c) of paragraph 2, and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the licensee to revise the licensee's Network Model in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.
- 6 The licensee shall establish and operate procedures for the modification of the Transmission Model (including procedures for modification of the modification procedures themselves). These procedures shall cover but not be limited to:
 - (a) proposals for modification of the Transmission Model by the licensee or other persons and parties as the Transmission Model may provide;

(b) where such a proposal is made:

- (i) for bringing the proposal to the attention of interested parties;
- (ii) for proper consideration of any representations on the proposal;
- (iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable Transmission Model objectives;
- (iv) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable Transmission Model objectives;

(v) for the preparation of a report:

- setting out the proposed modification and any alternative;
- evaluating the proposed modification, better facilitate achieving the applicable Transmission Model objectives;
- assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable Transmission Model objectives;
- setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
- for the submission of the report to the Authority as soon after the proposal is made as is appropriate for the proper execution and completion of the steps in sub-paragraphs (i) to (v).

- (c) for the timetable (referred to in sub-paragraph (b) (v) for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made and for that timetable to be extended with the consent of or as required by the Authority.

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- (a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(v) and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the Transmission Model and any alternative modifications set out in such report, better facilitate achieving the applicable Transmission Model objectives the Authority may direct the licensee to make that modification.

- (b) The licensee shall only modify the Transmission Model with the consent of the Authority and it shall not have the power to modify the Transmission Model in any other circumstance; and the licensee shall make available to the Authority a copy of any modification made.

- (c) Only the licensee shall have the power to modify the Transmission Model.

8 The licensee shall give or send a copy of the licensee's Network Model (as from time to time revised) or provide remote access to the Network Model to the Authority.

9 The licensee shall (subject to paragraph 10) give or send a copy of the licensee's Network Model (as from time to time revised) or provide remote access to the Network Model to any person requesting the same.

10 The licensee may make a charge for any copy or use of the licensee's Network Model (as from time to time revised) given or sent or accessed pursuant to this licence condition of an amount which will not exceed any amount specified for the time being for the purposes of this condition issued by the Authority.

- 11 In preparing, implementing and operating the licensee's Network Model, the licensee shall not unduly discriminate against or unduly prefer any person of class or classes of person in favour of or as against any person or class or classes of persons.

- 12 The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the licensee's Network Model in respect of such parts of the licensee's transmission system and/or to such extent as may be specified in the directions.

Special Condition C25: Promoting competition in the provision to the licensee of system support and operating margins services

1. The licensee shall use reasonable endeavours to develop and implement a strategy for the procurement of system support and operating margins services consistent with the promotion of competition in these services.
2. The strategy shall:
 - a. Clearly identify the range of services it requires over timescales relevant to potential market entrants;
 - b. Provide a range of illustrative scenarios as to how the range of services might potentially be met in the short, medium and long term, and having due regard to all potential sources of service provision;
 - c. Set out the detailed steps to be taken by the licensee in procuring these services in the short, medium and long term; and
 - d. In form and content, minimise barriers that might exist currently, or potentially be created as a result of actions by the licensee, in respect of the ability of parties other than the current incumbents to offer services to the licensee.
3. The strategy shall be developed through consultation with interested parties. The licensee shall use reasonable endeavours to identify and engage potential interested parties in its consultation process.
4. The licensee shall submit a report to the Authority by 30 June 2007 setting out the steps it has taken and proposes to take to develop its strategy. The licensee shall by 31 December 2007 submit its strategy for approval by the Authority.
5. The licensee shall procure system support and operating margins services in a manner consistent with its approved strategy.
6. The licensee shall keep its strategy under constant review in the light of the objectives

set out in paragraph [2] above, and shall propose amendments to the approved strategy as might be required from time to time.

Special Condition C26: Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity

PART A: Application and Purpose

1. The purpose of this condition is to secure the collection of specified information, to an appropriate degree of accuracy by the licensee so as to enable the Authority to effectively monitor the revenue of the consolidated transmission business.

PART B: Revenue Reporting rigs and specified information

2. For the purposes of this condition:
 - (a) “revenue reporting rigs” means the instructions and guidance issued by the Authority for the purposes of this condition as modified from time to time by a direction under paragraph 11 and subject to paragraphs 12 - 14 which may include (without limitation):
 - (i) provisions with respect to the meaning of words and phrases used in defining specified information;
 - (ii) requirements for recording specified information which are reasonably necessary to enable an appropriate auditor to determine the accuracy and reliability of specified information;
 - (iii) requirements as to the form and manner in which specified information shall be provided to the Authority (including templates for doing so); and
 - (iv) requirements as to the form and manner in which specified information shall be recorded and the standards of accuracy and reliability with which it shall be recorded.
 - (v) requirements as to the timing of specified information to the Authority in respect of each year

3. The licensee shall establish and maintain appropriate systems, processes and procedures to measure and record specified information from 1 April 2007 and in accordance with the regulatory instructions and guidance (including any associated information therein) for the time being in force pursuant to this condition.
4. The licensee shall notify the Authority immediately in the event that it discovers errors in the information or calculations used to derive the information submitted to the Authority under this licence condition.
5. The licensee shall collect the information required by the revenue reporting rigs issued pursuant to this condition from the date on which such revenue reporting rigs are issued by the Authority.

PART C : Information to be provided to the Authority

6. The licensee shall comply with the relevant provisions and information requirements of the revenue reporting rigs issued pursuant to this condition.
7. The licensee shall provide the Authority with:
 - (a) the information specified in Template [XX] of the revenue reporting rigs by no later than 31 July following the end of the relevant year to which such information relates;
 - (b) the information specified in Template [XX] of the revenue reporting rigs by no later than 1 April of the relevant year to which such information relates, being the licensees estimate of that information made on or before 1 April.
8. For the purposes of this condition the licensee shall take all appropriate steps to maintain systems of control and other governance arrangements that are best calculated to ensure that information collected and reported to the Authority under this condition is in all material respects accurate and complete and is fairly

presented and that all such systems of control and other governance arrangements are kept under regular review by the Directors of the licensee with a view to ensuring that they remain effective for this purpose.

PART D: Audit Requirements

9. The information referred to in paragraph 6(a) shall be accompanied by a report addressed to the Authority from the auditors, stating whether in their opinion:
 - (a) the information provided in accordance with paragraph 6 has been properly prepared; and
 - (b) the amounts presented are in accordance with the licensee's records which have been maintained in accordance with paragraph 3 of this condition
10. The licensee shall require that the report from the auditors, referred to in paragraph 7, is accompanied by a letter from the auditors to the Authority detailing the procedures that the auditors have followed in reaching their opinion.
11. For the purposes of paragraph 7(a), the licensee shall at its own expense enter into a contract of appointment with the auditors which includes a term requiring that the audit be conducted in accordance with all relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate.
12. The licensee shall (and must procure, insofar as it is able to do so, that any affiliate or related undertaking of the licensee shall) co-operate fully with the auditors so as to enable them to complete and report to the Authority on any audit carried out in accordance with paragraph 7.

PART E: Modification to the revenue reporting rigs

13. Where the Authority considers that the revenue reporting rigs should be modified in such ways as are necessary to more effectively achieve the purposes of this condition, the Authority may, subject to paragraphs 14 to 16, modify the revenue reporting rigs by issuing a direction to all transmission licensees.
14. Before issuing a direction under paragraph 13, the Authority, by notice given to all transmission licensees, shall:
 - (a) state that it proposes to make a modification, and set out the date on which it proposes that this should take effect;
 - (b) set out the text of the modification, the purpose and effect of the modification, and the reasons for proposing it; and
 - (c) specify the time (not less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made,and consider any representations or objections which have been duly made and are not withdrawn, and give reasons for its decision.
15. Any modification of the revenue reporting rigs under paragraph 11 to require the provision of specified information to a greater degree of level of accuracy or introduce an additional category of specified information or to enlarge an existing category of information shall not exceed what may reasonably be requested from the licensee by the Authority under paragraph 1 of standard condition B4 (Provision of Information to the Authority).
16. The provisions of the revenue reporting rigs may not exceed what is necessary to achieve the purposes of this condition or purport to have effect with respect to the interpretation of any other condition of this licence or the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.
17. Nothing in this condition should require the licensee to produce any documents which it could not be compelled to produce or give evidence in civil proceedings before a court

18. For the purposes of this condition

“consolidated transmission business” has the meaning given in.

“relevant year” in this condition shall mean a year beginning on 1st April of each calendar year and ending on 31st March of the following calendar year...

Schedule A: NTS output measures for the price control

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

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

	GWh/day		GWh/day
Easington	1062.0	Aldborough	420.0
Bacton	1783.4	Cheshire	285.9
Isle of Grain	175.0	Hornsea	164.1
Milford Haven	0	Fleetwood	0
St Fergus	1670.7	Caythorpe	0
Teesside	361.3	Wytch Farm	3.3
Barrow	309.1	Blyborough (Welton)	0
Theddlethorpe	610.7	Albury / Winkfield	0
Point of Ayr	73.5	Palmers Wood / Tatsfield	0
Hole House Farm	131.6	Glenmavis	28.5
Humbly Grove	172.6	Partington	174.6
Hatfield Moor (storage)	14.9	Avonmouth	179.3
Hatfield Moor (onshore)	0.3	Dynevor Arms	8.0

Table A2: Indicative baseline data for the transitional period and enduring periods

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)	Enduring flat baseline (GWh/day)
Bacton	GDN (EA)	3.66	3.66
Brisley	GDN (EA)	3.11	3.11
Cambridge	GDN (EA)	0	0
Great Wilbraham	GDN (EA)	35.59	35.59
Matching Green	GDN (EA)	83.85	83.85
Peterborough Eye/Tee	GDN (EA)	25.45	25.45
Roudham Heath	GDN (EA)	14.7	14.7
Royston	GDN (EA)	2.67	2.67
Whitwell	GDN (EA)	161.87	161.87
West Winch	GDN (EA)	11.69	11.69
Yelverton	GDN (EA)	84.44	84.44
Alrewas	GDN (EM)	92.15	92.15
Blaby	GDN (EM)	11.03	11.03
Blyborough	GDN (EM)	90.89	90.89
Caldecott	GDN (EM)	11.08	11.08
Thornton Curtis (DN)	GDN (EM)	106.64	106.64
Drointon	GDN (EM)	107.51	107.51
Gosberton	GDN (EM)	15.79	15.79
Kirkstead	GDN (EM)	1.21	1.21
Market Harborough	GDN (EM)	9.48	9.48
Silk Willoughby	GDN (EM)	3.53	3.53
Sutton Bridge	GDN (EM)	1.15	1.15
Tur Langton	GDN (EM)	82.52	82.52
Walesby	GDN (EM)	0.93	0.93
Asselby	GDN (NE)	3.64	3.64
Baldersby	GDN (NE)	1.34	1.34
Burley Bank	GDN (NE)	20.31	20.31
Ganstead	GDN (NE)	23.15	23.15
Pannal	GDN (NE)	148.41	148.41
Paull	GDN (NE)	38.14	38.14
Pickering	GDN (NE)	9.38	9.38
Rawcliffe	GDN (NE)	3.42	3.42
Towton	GDN (NE)	81.13	81.13

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)	Enduring flat baseline (GWh/day)
Bishop Auckland	GDN (NO)	69.26	69.26
Coldstream	GDN (NO)	1.93	1.93
Corbridge	GDN (NO)	0.07	0.07
Cowpen Bewley	GDN (NO)	53.71	53.71
Elton	GDN (NO)	33.26	33.26
Guyzance	GDN (NO)	2.19	2.19
Humbleton	GDN (NO)	0.15	0.15
Keld	GDN (NO)	1.7	1.7
Little Burdon	GDN (NO)	17.75	17.75
Melkinthorpe	GDN (NO)	0.34	0.34
Saltwick Pressure Controlled	GDN (NO)	9.22	9.22
Saltwick Volumetric Controlled	GDN (NO)	69.26	69.26
Thrintoft	GDN (NO)	5.16	5.16
Towlaw	GDN (NO)	0.55	0.55
Wetheral	GDN (NO)	26.86	26.86
Horndon	GDN (NT)	46.41	46.41
Luxborough Lane	GDN (NT)	165.3	165.3
Peters Green	GDN (NT)	348.98	348.98
Peters Green South Mimms	GDN (NT)	0	0
Winkfield	GDN (NT)	15.91	15.91
Audley	GDN (NW)	8.2	8.2
Blackrod	GDN (NW)	136.81	136.81
Ecclestone	GDN (NW)	21.14	21.14
Holmes Chapel	GDN (NW)	20.83	20.83
Lupton	GDN (NW)	16.23	16.23
Malpas	GDN (NW)	0.49	0.49
Mickle Trafford	GDN (NW)	29.58	29.58
Partington	GDN (NW)	96.29	96.29
Samlesbury	GDN (NW)	140.68	140.68
Warburton	GDN (NW)	107.25	107.25
Weston Point	GDN (NW)	30.64	30.64
Aberdeen	GDN (SC)	38.44	38.44
Armadale	GDN (SC)	3.01	3.01
Balgray	GDN (SC)	11.4	11.4
Bathgate	GDN (SC)	24.22	24.22
Broxburn	GDN (SC)	64.37	64.37
Careston	GDN (SC)	3.05	3.05
Drum	GDN (SC)	77.53	77.53
St Fergus	GDN (SC)	0.88	0.88

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)	Enduring flat baseline (GWh/day)
Glenmavis	GDN (SC)	145.79	145.79
Hume	GDN (SC)	1.22	1.22
Kinknockie	GDN (SC)	2.35	2.35
Langholm	GDN (SC)	0.15	0.15
Lauderhill	GDN (SC)	0	0
Lockerbie	GDN (SC)	5.7	5.7
Netherhowcleugh	GDN (SC)	0.2	0.2
Pitcairngreen	GDN (SC)	1.59	1.59
Soutra	GDN (SC)	8.94	8.94
Stranraer	GDN (SC)	0.68	0.68
Mossie	GDN (SC)	0	0
Farningham	GDN (SE)	135.12	135.12
Shorne	GDN (SE)	67.06	67.06
Tatsfield	GDN (SE)	276.46	276.46
Winkfield	GDN (SE)	106.26	106.26
Braishfield A	GDN (SO)	99.23	99.23
Braishfield B	GDN (SO)	46.65	46.65
Hardwick	GDN (SO)	118.68	118.68
Ipsden	GDN (SO)	12.39	12.39
Ipsden 2	GDN (SO)	14.25	14.25
Mappowder	GDN (SO)	47.68	47.68
Winkfield	GDN (SO)	79.91	79.91
Aylesbeare	GDN (SW)	22.75	22.75
Cirencester	GDN (SW)	9.18	9.18
Coffinswell	GDN (SW)	0	0
Easton Grey	GDN (SW)	30.89	30.89
Evesham	GDN (SW)	6.58	6.58
Fiddington	GDN (SW)	26.64	26.64
Ilchester	GDN (SW)	33.07	33.07
Kenn	GDN (SW)	70.91	70.91
Littleton Drew	GDN (SW)	2.84	2.84
Lyneham	GDN (SW)	0	0
Pucklechurch	GDN (SW)	28.38	28.38
Ross	GDN (SW)	4.28	4.28
Seabank (DN)	GDN (SW)	57.62	57.62
Alrewas	GDN (WM)	130.79	130.79
Aspley	GDN (WM)	84.65	84.65
Audley	GDN (WM)	21.83	21.83
Austrey	GDN (WM)	86.09	86.09

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)	Enduring flat baseline (GWh/day)
Leamington	GDN (WM)	4.26	4.26
Lower Quinton	GDN (WM)	29.91	29.91
Milwich	GDN (WM)	21.04	21.04
Ross	GDN (WM)	16.52	16.52
Rugby	GDN (WM)	80.08	80.08
Shustoke	GDN (WM)	44.76	44.76
Stratford-upon-Avon	GDN (WM)	4.68	4.68
Maelor	GDN (WN)	57.56	57.56
Dowlais	GDN (WS)	113.11	113.11
Dyffryn Clydach	GDN (WS)	47.92	47.92
Gilwern	GDN (WS)	46.67	46.67
Abson (Seabank Power Station phase I)	DC - FIRM	27.8	36.59
Bacton (Great Yarmouth)	DC - FIRM	20.04	20.04
Barking (Horndon)	DC - INTERRUPTIBLE	58.59	58.59
Billingham ICI (Terra Billingham)	DC - FIRM	43.54	43.54
Blackness (BP Grangemouth)	DC - FIRM	27.29	27.29
Blyborough (Brigg)	DC - INTERRUPTIBLE	16.89	16.89
Blyborough (Cottam)	DC - INTERRUPTIBLE	17.54	17.54
Burton Point (Connahs Quay)	DC - INTERRUPTIBLE	73.21	73.21
Caldecott (Corby Power Station)	DC - FIRM	21.12	21.12
Deeside	DC - FIRM	28.48	28.48
Didcot A	DC - INTERRUPTIBLE	0	87.29
Didcot B	DC - FIRM	50.47	50.47
Eastoft (Keadby Blackstart)	DC - INTERRUPTIBLE	2.38	2.38
Eastoft (Keadby)	DC - FIRM	36.06	36.06
Enron Billingham	DC - INTERRUPTIBLE	121.51	121.51
Epping Green (Enfield Energy, aka Brimsdown)	DC - FIRM	18.41	18.41
Ferny Knoll (AM Paper)	DC - FIRM	1.08	1.08
Goole (Guardian Glass)	DC - FIRM	1.62	1.62
Gowkhall (Longannet)	DC - FIRM	43.32	43.32
Harwarden (Shotton, aka Shotton Paper)	DC - FIRM	11.59	11.59
Hollingsgreen (Hays Chemicals)	DC - INTERRUPTIBLE	3.25	3.25
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC - INTERRUPTIBLE	38.12	38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC - FIRM	40.94	40.94

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)	Enduring flat baseline (GWh/day)
Moffat (Irish Interconnector)	INTERCONNECTOR FIRM, EXIT ONLY	433.4	433.4
Peterborough (Peterborough Power Station)	DC - INTERRUPTIBLE	23.28	23.28
Pickmere (Winnington Power, aka Brunner Mond)	DC - FIRM	15.38	15.38
Rosecote (Rosecote Power Station)	DC - INTERRUPTIBLE	14.73	14.73
Rosehill (Saltend Power Station)	DC - FIRM	57.83	57.83
Ryehouse	DC - FIRM	38.66	38.66
Saddle Bow (Kings Lynn)	DC - FIRM	17.98	17.98
Saltend BPHP (BP Saltend HP)	DC - FIRM	9.1	9.1
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC - FIRM	4.55	4.55
Seabank (Seabank Power Station phase II)	DC - FIRM	19.1	19.1
Sellafield Power Station	DC - INTERRUPTIBLE	12.35	12.35
Shellstar (aka Kemira, not Kemira CHP)	DC - FIRM	13.97	13.97
Shellstar (aka Kemira, not Kemira CHP)	DC - INTERRUPTIBLE	2.27	2.27
Shotwick (Bridgewater Paper)	DC - FIRM	5.52	5.52
St. Fergus (Peterhead)	DC - FIRM	108.3	108.3
St. Neots (Little Barford)	DC - FIRM	35.2	35.2
Stallingborough	DC - FIRM	28.16	28.16
Stallingborough	DC - FIRM	38.34	38.34
Stanford Le Hope (Coryton)	DC - FIRM	36.61	36.61
Staythorpe PH1	DC - FIRM	38.12	38.12
Staythorpe PH2	DC - FIRM	38.12	38.12
Sutton Bridge	DC - FIRM	37.47	37.47
Teesside (Philips Petroleum)	DC - FIRM	3.69	3.69
Teesside (BASF, aka BASF Teesside)	DC - FIRM	9.75	9.75
Teesside Hydrogen	DC - FIRM	6.61	6.61
Terra Nitrogen (aka ICI/Terra Severnside)	DC - FIRM	0.65	13.1
Thornton Curtis (Humber Refinery, aka Immingham)	DC - FIRM	46.89	46.89
Thornton Curtis (Killingholm B)	DC - INTERRUPTIBLE	44.94	44.94
Thornton Curtis (Killingholme A)	DC - FIRM	36.28	36.28
Tonna (Baglan Bay)	DC - FIRM	26.75	26.75
Weston Point (Castner Kelner, aka ICI Runcorn)	DC - FIRM	11.7	11.7
Weston Point (Rocksavage)	DC - FIRM	38.19	38.19
Wragg Marsh (Spalding)	DC - FIRM	42.02	42.02
Zeneca (ICI Avecia, aka 'Zenica')	DC - FIRM	0.11	0.11

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)	Enduring flat baseline (GWh/day)
Hatfield Moor Max Refill	STORAGE SITE	30.21	30.21
Hole House Max Refill	STORAGE SITE	119.58	119.58
Partington Max Refill	STORAGE SITE	2.41	2.41
Glenmavis Max Refill	STORAGE SITE	1.62	1.62
Barton Stacey Max Refill	STORAGE SITE	0	100.94
Avonmouth Max Refill	STORAGE SITE	0	2.3
Dynevor Max Refill	STORAGE SITE	2.61	2.61
Garton Max Refill	STORAGE SITE	211.01	211.01
Hornsea Max Refill	STORAGE SITE	22.43	22.43
Rough Max Refill	STORAGE SITE	160	160
Bacton (IUK)	INTERCONNECTOR	623.58	623.58
Bacton (BBL)	INTERCONNECTOR	0	0

Schedule 1: Specified Area

Great Britain

Schedule 2: Revocation of Licence

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f)) in writing to the licensee:
 - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
 - (b) if any amount payable under standard condition 3 (Payments by licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 28 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 30 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 30A of the Act) by the due date for such payment and such payment is

not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 30E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;

- (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
 - (ii) an order made by the court under section 34 of the Competition Act 1998;
- (e) if the licensee:
 - (i) shall not have commenced business as a gas transporter within a period of 3 years from the date on which this licence takes effect; or
 - (ii) ceases to carry on its business as a gas transporter; or
- (f) if the licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);

- (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
- (g) if the licensee is convicted of having committed an offence under section 43 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£250,000” or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
 3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

Schedule 3: Transportation Services Area

Great Britain