

IN.B. STANDARD SPECIAL CONDITIONS IN PART A CAN ONLY BE AMENDED IN ACCORDANCE WITH THE “PRIVATE” COLLECTIVE LICENCE MODIFICATION PROCEDURE SET OUT IN STANDARD SPECIAL CONDITION A2. SUCH CHANGES WILL AFFECT ALL NTS AND DN LICENSEES.]

Standard Special Condition A15. Agency

1. The licensee shall, together with the other relevant gas transporters, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have entered into an agency services agreement (“**AS agreement**”) with the other relevant gas transporters providing for the common provision of services and systems, including the common provision by the agency (as defined in paragraph 3 below) of such services and systems, the scope of which are set out within the uniform network code.
2. The licensee shall, together with other relevant gas transporters procure, or cause to be procured:
 - (a) that the Authority is provided with a copy of the AS agreement and each amendment thereof; and
 - (b) the publication of the AS agreement as modified from time to time, with the exception of any information agreed in writing as being confidential by the Authority.
3. Where services and systems are sub-contracted to a common service provider (the “**agency**”) by all relevant gas transporters including the licensee (unless the Authority has otherwise consented under paragraph 6), the scope of such sub-contracting arrangements shall be set out in the uniform network code ([save in respect of user pays services the scope of which are not an activity performed pursuant to the uniform network code](#)), and the agency and the agreement referenced in paragraph 1 shall, without limitation, be based on the following principles:

- (i) such services and systems shall be established, operated and developed on an economic and efficient basis;
 - (ii) the costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being within the scope of the agency, are separately assessed and reported; and
 - (iii) the costs of the agency shall be allocated on a transparent basis.
- 4. Where services and systems are to be provided pursuant to the uniform network code by the agency, the licensee shall, together with other relevant gas transporters, ensure that all such services and systems are provided or otherwise procured (including without limitation on a sub contracted basis) on a common basis pursuant to the AS agreement.
- 5. In respect of the services and systems to be provided by the agency under paragraphs 3 and 4 of this condition, the licensee shall be under an obligation to use or procure the use of such services and systems from the agency and shall not elect either expressly or by its conduct not to use nor to procure the use of the agency as the provider of such services and systems without the prior written consent of the Authority.
- 6. In the event that the licensee requests the consent of the Authority, subject to paragraph 5, such that it is not required to use nor to procure the use of all systems and services to be provided by the agency under paragraphs 3 and 4:
 - (a) the licensee shall:
 - (i) write to the Authority stating its reasons for this request; and
 - (ii) clearly identify whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;

- (b) the Authority, in relation to any information provided under sub-paragraph (a), if applicable:
 - (i) may, if it considers that the information provided is insufficient, request that this information be supplemented with such additional material that it considers appropriate;
 - (ii) shall make public the information (other than any confidential information) supplied by the licensee in any statement made under sub-paragraph (a) and, if applicable, any supplementary information provided to the Authority following its receipt in response to a request under sub-paragraph (i); and
 - (iii) shall consult with all relevant shippers, each other relevant gas transporter and other interested parties on the licensee's request for consent, under the provisions of paragraph 5, for a period of at least twenty-eight (28) days before providing its decision regarding the granting of consent, and any such conditions as the Authority may specify, to such a request.

7. The licensee shall, together with the other relevant gas transporters , by 1 April 2008 (unless the Authority otherwise consents in writing):

~~(a)~~ determine and prepare a joint agency charging statement (“the statement”), approved by the Authority, ~~detailing setting out details of the scope of each user pays service,~~ the methodology for deriving charges for ~~agency~~ user pays services ~~and,~~ the charges associated with ~~the provision of~~ such services ~~by the agency and the scope of core services and user pays services.~~ [N.B. AS “CORE SERVICES” CONSIST OF EVERYTHING OTHER THAN “USER PAYS” SERVICES, THERE IS NO NEED TO REFER TO THEM.]

8. The licensee shall, together with the other relevant gas transporters, (unless the Authority otherwise consents in writing): [N.B. OBLIGATIONS IN (a) AND (b)]

BELOW MOVED TO THIS PARAGRAPH AS ONGOING AND NOT DATE-SPECIFIC (UNLIKE OBLIGATION IN PARA 7).]

~~(ba)-~~ shall procure the publication of~~publish~~ the statement on the agency's ~~{or joint office?}~~ website and ~~shall~~ give or send an electronic copy of the statement to any person ~~that requests it~~who asks for one; ~~and~~

~~(eb)-~~ procure that the agency complies with the ~~methodology~~statement approved by the Authority at that date and as modified from time to time ~~thereafter~~ in accordance with the provisions of this condition; ~~and-~~

8. ~~—(c) The licensee shall, together with the other relevant gas transporters,~~ keep the statement under review ~~the statement~~ and, subject to paragraph 9, from time to time modify ~~the statement~~it to ensure that the information, methodologies and charges in the statement ~~is~~are up to date and to reflect any changes in scope and nature of user pays services.

9. Except with the consent of the Authority, before making a modification to the ~~charging~~statement, the licensee shall, together with the other relevant gas transporters, give a report to the Authority setting out:

~~—(i)~~ _____ the terms of the proposed modification; and

~~—(ii)~~ _____ a timetable for implementing the modification.

10. The licensee shall, together with the other relevant gas transporters make the modification unless, within 28 days of receiving the ~~licensee's joint~~ report under paragraph ~~49~~, the Authority has directed the licensee not to make the modification.

11. The charges for the user pays services ~~lines~~ should, as far as reasonably practicable, reflect the costs in providing the service. In setting the charges for the user pays services ~~lines~~ the licensee shall not unduly discriminate between or unduly prefer any

person or class or classes of persons. [N.B. NEED TO BE CONSISTENT WITH DEFINED TERMS.]

[N.B. IT APPEARS THAT THE DEFINITION OF THE SCOPE OF “USER PAYS SERVICES” SHOULD BE LEFT TO THE STATEMENT PREPARED UNDER PARAGRAPH 7 IN ORDER TO AVOID THE NEED FOR A LICENCE CHANGE AS THE SCOPE OF SUCH SERVICES CHANGES OVER TIME. AN APPROACH WHICH DEFINED THE SCOPE OF THE USER PAYS SERVICES BY REFERENCE TO THE STATEMENT UNDER PARAGRAPH 7 WOULD FACILITATE KEEPING THE DRAFTING OF THIS CONDITION CONSISTENT FOR NTS AND DN LICENSEES (AS IS REQUIRED FOR STANDARD SPECIAL CONDITIONS IN PART A). ADDITIONALLY, IT WOULD APPEAR SENSIBLE AND PRAGMATIC TO DEFINE THE RELEVANT SERVICES WITHIN THE SAME DOCUMENT WHICH SETS OUT THE METHODOLOGY AND CHARGES FOR SUCH SERVICES (AS IS CONTEMPLATED BY PARAGRAPH 8(c) ABOVE). AS A RESULT, WE SUGGEST THAT THE DEFINITION SET OUT BELOW IS USED (IT CAN BE INSERTED IN EITHER STANDARD SPECIAL CONDITION A3 (IF IT WILL BE NEEDED ELSEWHERE) OR AT THE END OF THIS CONDITION).]

“user pays services” means the services set out in the statement prepared in accordance with paragraph 7 of this condition”

~~[need to define charges for user pays services—in definition condition~~

~~e.g. means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of the agency services agreement as more fully described in standard special condition A15]~~

Standard Special Condition A30. Regulatory Accounts

IN.B. WE SUGGEST THAT REFERENCES TO THE COMPANIES ACTS 1985 AND 1989 THROUGH THIS CONDITION BE UPDATED IN THE LIGHT OF THE COMING TO FORCE OF THE COMPANIES ACT 2006]

Part A: Application and purpose

1. This condition applies for the purpose of ensuring that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records and reporting arrangements as are necessary to enable the licensee to prepare and publish regulatory accounts for the following businesses, unless the Authority otherwise consents in writing –
 - (a) the transportation business in respect of each Distribution Network (as defined in Special Condition E1 (Revenue restriction definitions in respect of the Distribution Network)) or the NTS (as defined in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity)), where applicable;
 - (b) NOT USED;
 - (c) the metering business, separately identifying services provided pursuant to paragraph 1 of Standard Special Condition A10 (Provision and Return of Meters) with respect to each Distribution Network (as defined in Special Condition E1) as appropriate;
 - (d) the meter reading business;
 - (e) the de minimis business to which this licence relates, separately identifying the allocation and / or apportionment of each de minimis activity to each of the businesses in sub-paragraphs (a) to (d) above, and clearly describing each such de minimis activity;
 - (f) other activities to which this licence relates which the Authority has given its consent in writing in accordance with sub-paragraph 3(d) of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing)

separately identifying the apportionment of each of these activities to each of the businesses in sub-paragraphs (a) to (d) above, and clearly describing each service provided;

- (g) the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within sub-paragraphs (a), (b), (c), (d), (e) and (f) where applicable and, in addition, details of any de minimis business carried out by a relevant associate of the holder of the licence.

2 Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, the licensee shall:

- (a) ensure that all businesses of the licence holder that relate to sub-paragraphs (a) to (f) of paragraph 1 as are applicable are reflected in the regulatory accounts submitted in respect of those licences, such that, such regulatory accounts, when consolidated, reflect the total business of the licence holder; and
- (b) include within each set of regulatory accounts, prepared in accordance with those licences, sufficient information to reconcile all sets of regulatory accounts to the statutory accounts of the holder of this licence, prepared under the Companies Act 1985.

Part B: Preparation of accounts

3. For the purposes of this condition, but without prejudice to paragraph ~~67~~, the licensee must prepare regulatory accounts for each financial year ending on 31 March.

4. Unless the Authority otherwise consents, the licensee ~~must~~shall:

- (a) keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section, such accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, each of the businesses referred to in paragraph 1 are separately identifiable in the accounting records of the licensee

(and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee; and

- (b) prepare, on a consistent basis from such accounting records in respect of each financial year, regulatory accounts (including notes thereto and statements of the accounting policies adopted) of the licensee comprising, in respect of each of the businesses referred to in paragraph 1:
- (i) a profit and loss account (or, as appropriate, an income statement);
 - (ii) a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and if appropriate a statement of recognised income and expense or a statement of comprehensive income);
 - (iii) a balance sheet (or, as appropriate, a statement of financial position);
 - (iv) a cash flow statement (or, as appropriate, a statement of cash flows);
 - (v) a corporate governance statement in respect of the whole business to which this licence relates;
 - (vi) a directors' report in respect of the whole business to which this licence relates;
 - (vii) an operating and financial review in respect of the whole business to which this licence relates; and
 - (viii) a statement showing separately in respect of each of the businesses referred to in paragraph 1 and in appropriate detail the amounts of any revenue, cost, asset, liability, reserve or provision which has either been:
 - (aa) charged from any ultimate controller of the licensee, together with any subsidiary of such ultimate controller (other than the licensee or its subsidiaries) in relation to the provision of goods or services to the licensee;
 - (bb) charged from the licensee together with any subsidiary of the licensee in relation to the provision of goods or services to any

ultimate controller of the licensee together with any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries); or

(cc) determined by apportionment or allocation between any of the businesses referred to in paragraph 1 or any other business of the licensee or affiliate or related undertaking together with a description of the basis of the apportionment or allocation;

provided that the obligations in (aa), (bb) and (cc) above shall only apply to goods and services received or supplied for the purposes of the businesses referred to in paragraph 1.

5. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written approval, the licensee shall not in relation to the regulatory accounts in respect of a financial year change the bases of charge or apportionment or allocation referred to in paragraph 34(b)(viii) from those applied in respect of the previous financial year.
6. Where, in relation to the regulatory accounts in respect of a financial year, the licensee has changed such bases of charge or apportionment or allocation or changed any of its accounting policies or the application of those accounting policies from those adopted for the immediately preceding financial year, the licensee shall, if directed by the Authority in writing, in addition to preparing regulatory accounts on those bases which it has adopted, also prepare such regulatory accounts on the bases and the accounting policies and the application of its accounting policies which applied in respect of that immediately preceding financial year.
7. Regulatory accounts and information in respect of a financial year prepared under paragraph 3(b) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition, have the same content and format as the most recent or concurrent statutory accounts of the

licensee prepared under sections 226 and 226A or, where appropriate, section 226B of the Companies Act 1985 and shall comply with all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, if the regulatory accounts and information have been prepared under section 226B of the Companies Act 1985, all relevant accounting and reporting standards currently in force which have been issued by the International Accounting Standards Board and adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. [N.B. THIS CHANGE TO ASSIST IN “FUTURE-PROOFING” OF THE OBLIGATIONS.]

Part C: Audit and delivery of accounts

8. Unless the Authority otherwise consents, the licensee must:
- (a) procure, in relation to its regulatory accounts:
 - (i) an audit by an appropriate auditor of such parts of those accounts and the directors’ report and operating and financial review as are specified in the Companies Act 1985 as being required to be so audited as if the licensee were a quoted company and they were the statutory accounts of the licensee prepared under sections 226 and 226A or, as appropriate, section 226B of the Companies Act 1985 drawn up to 31 March, and
 - (ii) a report by that auditor, addressed to the Authority, stating whether in the auditor’s opinion those accounts fairly present the financial position, financial performance and cash flows of or reasonably attributable to each of the businesses referred to in paragraph 1 and the reconciliation information provided under paragraph ~~1A~~2 in accordance with the requirements of this condition; and
 - (b) deliver to the Authority those accounts and the auditor’s report referred to in sub-paragraph (a)(ii) as soon as is reasonably practicable, and in any event

prior to their publication under Part D and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

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9. For the purposes of paragraph 78, the licensee ~~must~~shall, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the regulatory accounts of the licensee ~~must~~be conducted by that auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with either section 226A or 226B of the Companies Act 1985.

Part D: Publication of regulatory accounts

10. Unless the Authority otherwise directs, after consulting the licensee, the licensee must, subject to paragraph 12 below, publish its regulatory accounts and the reconciliation provided under paragraph 1A2, with the exception of the part of such regulatory accounts which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively required under paragraph 34(b)(viii), any information provided under paragraph 1(e), and any other information agreed by the Authority in writing to be confidential:
- (a) as a stand-alone document in accordance with this condition;
 - (b) by 31 July following the end of the financial year to which the accounts relate;
 - (c) on a website used by the licensee in its ordinary course of business (where the regulatory accounts should be reasonably accessible to any person requiring them); and
 - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
11. A copy of the regulatory accounts must be provided free of charge:

- (a) to the Consumer Council no later than the date on which the accounts are published; and
 - (b) to any person requesting a copy.
12. This condition shall not require the publication of any regulatory accounts for the metering business or the meter reading business where publication would or might seriously and prejudicially affect the interests of the licensee, any ultimate controller of the licensee or any subsidiary of any ultimate controller and for this purpose the licensee shall (except in so far as the Authority consents to the licensee not doing so) refer for determination by the Authority any question as to whether any such publication would or might so affect the interests of the licensee or any ultimate controller of the licensee or any subsidiary of any ultimate controller.

Part E: Interpretation

~~13. References in this condition to sections of the Companies Act 1985 are references to those provisions as amended, substituted or inserted by the relevant provisions of the Companies Act 1989, and if such provisions of the Companies Act 1989 are not in force at the date on which this condition takes effect, it must be construed as if such provisions were in force at such date.~~ [N.B. THIS PARAGPRAPH SHOULD BE DELETED AS THE RELEVANT SECTIONS OF THE CA 89 ARE NOW IN FULL FORCE. HOWEVER, AS INDICATED ABOVE, OFGEM SHOULD CONSIDER THE SCHEDULE FOR THE COMING INTO FORCE OF THE RELEVANT SECTIONS OF THE COMPANIES ACT 2006 AND THE NEED TO MAKE CHANGES TO THE CROSS REFERENCES AS A RESULT. WHILE IT WILL BE RECALLED THAT STANDARD SPECIAL CONDITION A3 MAKES GENERAL PROVISION FOR THE REENACTMENT OF ACTS OF PARLIAMENT, IT WOULD BE PREFERABLE FOR ALL THE UP-TO-DATE REFERENCES TO BE IN PLACE BASED ON THE EXTENT TO WHICH THE COMPANIES ACT 2006 WILL BE IN FORCE BY 1 APRIL 2008.]

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 either metering or to meter reading and its view on the subject considers it appropriate that references to either the metering business or to the meter reading business should be deleted for the purpose of this condition then for the purpose of this condition those references shall cease to have effect from the date or dates specified in a notice published by the Authority for that purpose.
15. A consent under paragraph 4, 5, 8 or 12 may be given in relation to some or all of the requirements of the relevant paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.
16. In this condition:
- (a) references to **“de minimis business”** shall include those businesses or activities that fall within the definition of de minimis business within Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), and:
 - (i) have been allocated or apportioned to this licence; or
 - (ii) are businesses or activities undertaken by a relevant associate or relevant associates of the licence holder with either sub-paragraph (i) or sub-paragraph (ii) applying as the context requires.

 - (b) **“corporate governance statement”** means a statement which describes how the principles of good corporate governance have been applied to the licensee and which includes such information as a quoted company is required to include in a corporate governance statement prepared pursuant to the Combined Code on Corporate Governance issued under the Financial Services Authority’s listing rules and interpretations on corporate governance (the Combined Code) ~~(and, for the purposes of this condition, the requirement for a quoted~~

~~company to prepare such a statement is to be taken as a requirement for the licensee to do so whether or not it is a quoted company)~~ to the extent that the licensee's corporate governance arrangements comprise those elements required by the Combined Code.

- (c) **“directors’ report”** means a report having the coverage and content of the directors’ report which a quoted company is required to prepare pursuant to sections 417 of the Companies Act ~~1985~~ 2006 (and, for the purposes of this condition, the requirement for a quoted company to prepare such a report is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
- (d) **“operating and financial review”** means a review having the coverage and content as specified in Part F of this licence condition
- (e) **“quoted company”** has the meaning attributed to it by the Companies Act 1985.
- (f) **“relevant associate”** is as defined in paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).

Part F: Operating and financial review

Review objective

17. An operating and financial review must be a balanced and comprehensive analysis, consistent with the size and complexity of the business, of -
 - (a) ~~→~~ the development and performance of the business of the licensee during the financial year;

- (b) ~~the~~ the position of the licensee at the end of the year;
 - (c) ~~the~~ the main trends and factors underlying the development, performance and position of the business of the licensee during the financial year, and
 - (d) ~~the~~ the main trends and factors which are likely to affect the licensee's future development, performance and position,
- prepared so as to assist the Authority to assess the strategies adopted by the licensee and the potential for those strategies to succeed.

Other general requirements

18. ~~The~~ An operating and financial review shall include:—
- (a) ~~a~~ a statement of the business, objectives and strategies of the licensee;
 - (b) a description of the resources available to the licensee;
 - (c) a description of the principal risks and uncertainties facing the licensee; and
 - (d) a description of the capital structure, ~~the~~ treasury policies and objectives and ~~the~~ liquidity of the licensee.

Details of particular matters

19. To the extent necessary to comply with the general requirements of paragraphs 18 and 19, the operating and financial review ~~must~~ shall comply with paragraphs 21 to 23. If the operating and financial review does not contain information and analysis of each kind mentioned in paragraphs 22 and 23, it must state which of those kinds of information and analysis it does not contain.
20. The operating and financial review ~~must~~ shall include:—
- (a) information about environmental matters (including the impact of the business of the licensee on the environment);⁵
 - (b) ~~the~~ information about the licensee's employees;⁵

(c) ~~information about social and community issues;~~ and

(d) ~~information about the policies of the licensee in each of these areas mentioned in and information about the extent to which those policies have been successfully implemented.~~

21. The operating and financial review ~~must~~ shall also include information about persons with whom the licensee has contractual or other arrangements which are essential to the business of the licensee.
22. The operating and financial review ~~must~~ shall include analysis using financial and, where appropriate, other key performance indicators, including information relating to environmental matters and employee matters. For the purposes of this condition, "key performance indicators" means factors by reference to which the development, performance or position of the business of the licensee can be measured effectively.

Reference to and explanation of regulatory accounts

23. To the extent necessary to comply with the general requirements of paragraphs 18 and 19, the operating and financial review ~~must~~ shall, where appropriate, include references to, and additional explanations of, amounts included in the licensee's regulatory accounts.

Compliance with standards

24. The operating and financial review ~~must~~ shall:
 - (a) state whether it has been prepared in accordance with relevant reporting standards, and
 - (b) contain particulars of, and reasons for, any departure from such standards.