

GAS TRANSMISSION SPECIAL CONDITIONS:

PART C

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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

Comment [JC1]: removal of definition of PIT in paragraph b.

1. In this condition and in Special Condition C8B (NTS transportation owner activity revenue restriction) to Special Condition C8G (NTS System Operator internal incentives, costs and revenues) inclusive, with the exception of Annex A to Special Condition C8D (NTS gas entry incentives, costs and revenues), the following shall apply:

(a) defined terms:

additional firm entry capacity	means that volume of firm entry capacity that is in excess of the prevailing level of firm entry capacity;
aggregate overrun	shall have the meaning given to the term “aggregate flat overrun” given in the network code;
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;
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;
baseline obligated entry capacity	means: (a) for the purpose of the term PREVIBEnC _i in paragraph 9(c)(i) of Special Condition C8D (NTS gas entry incentives, costs and revenues), non-incremental obligated entry capacity for which the licensee receives a revenue entitlement pursuant to paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction); or (b) for the purpose of the term IBEnC _{i,m,h} in paragraph 9(c)(ii) of Special Condition C8D (NTS gas entry incentives, costs and revenues), and the term RIBEnC _{i,m,h} in paragraph 9(c)(iii) of Special Condition C8D (NTS gas entry incentives, costs and revenues), that part of non-incremental

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obligated entry capacity that has not been adjusted for entry capacity substitution and for which the licensee receives a revenue entitlement pursuant to paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction);

clearing allocation	means in respect of an NTS entry point and period, an allocation of entry capacity which either: (a) results in all the capacity offered for sale being sold; or (b) 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;
contractual delivery	means: (a) for the purposes of Special Condition C8D (NTS gas entry incentives, costs and revenues), that date, being the first day of month m, that the licensee has entered into agreements to first provide incremental obligated entry capacity; (b) for the purposes of Special Condition C8E (NTS gas exit incentives, costs and revenues), that date that the licensee has entered into agreements to first provide NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity;
cumulative funded incremental obligated entry capacity	means the sum of funded incremental obligated entry capacity that the licensee is obliged to offer for sale;
curtailment day	means any day in formula year t in respect of which rights to offtake gas at a given supply point,

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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;

delivered means the date of delivery for NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity which has been agreed by the licensee with the relevant shippers or DN operators or has been directed in writing by the Authority;

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

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	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	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation);
enduring exit period	means the period from 1 October 2012 (or such later date as the Authority may direct from time to time in writing);
entry capacity	at an NTS entry point is capacity in the NTS which a relevant shipper is treated as utilising in delivering gas to the NTS (and the total system) at that point;
entry capacity substitution	means the process by which unsold non-incremental obligated entry capacity is moved from one or more NTS entry points to meet the demand for incremental obligated entry capacity at another NTS entry point, in accordance with the obligations set out in paragraph 10 of Special Condition C8D (NTS gas entry incentives, costs and revenues);
entry capacity trade	means the process by which sold firm entry capacity is moved from one or more NTS entry points to meet the demand for firm entry capacity at another NTS entry point, in accordance with the obligations set out in paragraph 12 of Special Condition C8D (NTS gas entry incentives, costs and revenues);
entry capacity trade rate	means the exchange rate, which shall represent the amount by which firm entry capacity at NTS entry point i would need to be reduced so as to provide one additional unit of firm entry capacity at another NTS entry point, used for the purposes of entry capacity trade and determined in accordance with the entry capacity trade methodology established pursuant to paragraph 12 of Special Condition C8D (NTS gas entry incentives, costs and revenues);
entry capacity transfer	means the process by which unsold obligated entry capacity is moved from one or more NTS entry points to meet the demand for firm entry capacity at another NTS entry point where all obligated entry capacity has been sold, in accordance with the obligations set out in paragraph 11 of Special Condition C8D (NTS gas entry incentives, costs and revenues);

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entry capacity transfer rate	means the exchange rate, which shall represent the amount by which firm entry capacity at NTS entry point i would need to be reduced so as to provide one additional unit of firm entry capacity at another NTS entry point, used for the purposes of entry capacity transfer and determined in accordance with the entry capacity transfer methodology established pursuant to paragraph 11 of Special Condition C8D (NTS gas entry incentives, costs and revenues);
exit capacity revision	means the process by which the level of NTS baseline exit flat capacity is modified in accordance with the obligations set out in paragraph 4(c) of Special Condition C8E (NTS gas exit incentives, costs and revenues);
exit capacity substitution	means the process by which unsold NTS baseline exit flat capacity is moved between NTS exit points such that the level of NTS obligated incremental exit flat capacity is minimised, in accordance with the obligations set out in paragraph 4(b) of Special Condition C8E (NTS gas exit incentives, costs and revenues);
exit period	means the interim exit period, transitional exit period and enduring exit period;
firm entry capacity	means entry capacity other than interruptible entry capacity;
formula month	means a period commencing at 06:00 in the 1 st day of a calendar month and ending at 06:00 on the 1 st day of the subsequent calendar month;
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;
funded incremental obligated entry capacity	means: <ul style="list-style-type: none"> (a) that part of incremental obligated entry capacity for which the licensee receives a revenue entitlement pursuant to paragraph 2 of Special Condition C8D (NTS gas entry incentives, costs and revenues) and for which the obligation to offer such capacity for sale commenced on or after 1 April 2007; or (b) incremental obligated entry capacity for which the licensee receives a revenue entitlement pursuant to Annex A of Special Condition C8D (NTS gas

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	entry incentives, costs and revenues) and for which the obligation to offer such capacity for sale commenced before 1 April 2007;
gas year	means a period of twelve months commencing on 1 October at 06:00 hours;
gigawatt hour or GWh	means one million kilowatt hours;
incremental entry capacity	means firm entry capacity other than non-incremental obligated entry capacity;
incremental entry capacity services	means the undertaking of engagements relating to the provision of entry capacity other than non-incremental obligated entry capacity;
incremental exit capacity services	means the undertaking of engagements relating to the provision of NTS incremental exit capacity;
incremental obligated entry capacity	means that additional firm entry capacity which the licensee is required to offer for sale following the implementation of a proposal made by the licensee in accordance with paragraph 9(f) of Special Condition C8D (NTS gas entry incentives, costs and revenues). For the avoidance of doubt, incremental obligated entry capacity comprises additional firm entry capacity which is either subsequently treated as funded incremental obligated entry capacity or non-incremental obligated entry capacity (where that capacity has been provided by entry capacity substitution);
interim exit period	means the period up to and including 30 September 2008 (or such later date as the Authority may direct from time to time in writing);
interruptible entry capacity	means entry capacity that may be subject to curtailment by the licensee pursuant to the provisions relating to interruption under the network code;
interruption	has the meaning given to that term in the network code;
kilowatt hour or kWh	means 3,600,000 Joules;

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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;
logged up costs	means: <ul style="list-style-type: none"> (a) for the purposes of paragraph 3(c) of Special Condition C8B (NTS transportation owner activity revenue restriction), the capital expenditure and operating expenditure costs incurred by the licensee in respect of those items referred to in those paragraphs; and (b) for the purposes of paragraph 5 of Special Condition C8B (NTS transportation owner activity revenue restriction)the capital expenditure incurred by the licensee in respect of those items referred to in those paragraphs;
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-incremental obligated entry capacity	means obligated entry capacity other than cumulative funded incremental obligated entry capacity;
non-obligated entry capacity	means firm entry capacity other than obligated entry capacity;
NTS baseline exit flat capacity	means the relevant values for NTS baseline exit flat capacity, which: <ul style="list-style-type: none"> (a) in respect of the interim exit period and transitional exit period, specified in table 1 of Annex A of Special Condition C8E (NTS gas exit incentives, costs and revenues); and (b) in respect of the enduring exit period, specified in table 2 of Annex A of Special Condition C8E (NTS gas exit incentives, costs and revenues) or as may be set out within the NTS exit capacity baseline statement established pursuant to

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paragraph 4(a) of Special Condition C8E (NTS gas exit incentives, costs and revenues);

NTS baseline exit shipper capacity	means the relevant values for NTS baseline exit shipper capacity, in respect of the interim exit period and transitional exit period, specified in table 1 of Annex A of Special Condition C8E (NTS gas exit incentives, costs and revenues);
NTS entry point	means an aggregate system entry point (having the meaning given to that term in the network code);
NTS exit capacity baseline statement	means the statement prepared by the licensee pursuant to paragraph 4(a) of Special Condition C8E (NTS gas exit incentives, costs and revenues);
“NTS exit flat capacity”	shall have the meaning given to the term “NTS Offtake (Flat) Capacity” in the network code for the interim exit period and the transitional exit period, shall have the meaning given to the term “NTS Exit (Flat) Capacity” in the network code for the enduring exit period;
NTS 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);
NTS exit point	has the meaning given to that term in the network code;
NTS exit flat release default lead time	means the day which is 36 months after the first day of the next gas year following the date on which the allocation occurred;
NTS exit shipper capacity	has the meaning given to the term “NTS Exit Capacity” in the network code;
NTS incremental exit capacity	means the sum of NTS incremental exit flat capacity and

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NTS incremental exit flat capacity	NTS incremental exit shipper capacity; means that NTS exit flat capacity in excess of NTS baseline exit flat capacity;
NTS incremental exit shipper capacity	means that NTS exit shipper capacity in excess of NTS baseline exit shipper capacity;
NTS non-obligated exit capacity	means NTS non-obligated incremental exit flat capacity and NTS off-peak exit (flat) capacity;
NTS non-obligated incremental exit flat capacity	means NTS exit flat capacity other than NTS baseline exit flat capacity and NTS obligated incremental exit flat capacity;
NTS obligated incremental exit flat capacity	means NTS incremental exit flat capacity registered or capable of being registered from the start of the enduring exit period onwards (or such date that the Authority otherwise directs in writing) for which a long term signal has, at any time, been received consistent with the methodology published pursuant to paragraph 1 of Special Condition C18 (Licensee’s methodology for determining the release of exit capacity volumes);
NTS off-peak exit (flat) capacity	shall have the meaning given to the term “Off-Peak Daily NTS Exit (Flat) Capacity” in the network code;
NTS SO activity	shall have the meaning given to the term NTS system operation activity;
NTS SO revenue	shall have the meaning given to the term NTS system operation revenue;
NTS system operation 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

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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 operation 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 activity	shall have the meaning given to the term NTS transportation owner activity;
NTS TO revenue	shall have the meaning given to the term NTS transportation owner revenue;
NTS transportation owner 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	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 unsold obligated entry capacity and sold obligated entry capacity;
physically delivered	shall mean that date when: <ul style="list-style-type: none">(a) the licensee is first able to accept gas properly tendered for delivery by any gas shipper; or(b) the Authority has deemed (in response to a request made by a relevant shipper or the licensee) that the

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	capacity has been delivered;
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;
Quarry and loss development claims	<p>Any settled claims over 2007-13 which have been demonstrably challenged by NGG NTS as far as is reasonable regarding both the basis of the claim and the quantum of compensation sought. For avoidance of doubt the following claims under the terms of the Deed of Easement may be logged up:</p> <ul style="list-style-type: none"> (a) loss of crop and drainage; (b) loss of land development e.g. housing, quarrying etc (c) sterilised minerals; (d) landfill and tipping; and (e) power generation;
relevant system operation costs	means those costs associated with the licensee's conduct of the NTS system operation activity and/or NTS transportation owner activity.
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;
retail prices index	shall have the same meaning as is given to that term in Standard Special Condition A3 (Definitions and Interpretation);
revenue restriction conditions	means the Special Conditions C8B (NTS transportation owner activity revenue restriction), C8C (NTS System Operation Activity Revenue Restriction), C8D (NTS gas

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sold obligated entry capacity	entry incentives, costs and revenues), C8E (NTS gas exit incentives, costs and revenues), C8F (NTS System Operator external incentives, costs and revenues) and C8G (NTS System Operator internal incentives, costs and revenues) of this licence; means the firm entry capacity that has been sold or is deemed to have been sold by the licensee for use on day d in month m, for which the licensee had an obligation to offer such capacity for sale during all days up to but excluding the day that is w days in advance of day d in month m, being that capacity determined in relation to the term SOEnC _{i,d,m,w} pursuant to paragraph 9(a) of Special Condition C8D (NTS gas entry incentives, costs and revenues);
storage connection point supply of Distribution Network services	has the meaning given to that term in the network code; means the undertaking and performance for gain or reward of engagements: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> (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

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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;

transitional exit period

means the period from 1 October 2008 (or such later date as the Authority may direct from time to time in writing) up to and including 30 September 2012 (or such later date as the Authority may direct from time to time in writing);

transportation system

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

unsold obligated entry capacity

means the firm entry capacity for which the licensee has an obligation to offer such capacity for sale during the day that is w days in advance of day d in month m, for use on day d in month m, as calculated pursuant to paragraph 9(a) of Special Condition C8D (NTS gas entry incentives, costs and revenues);

User

has the meaning given to that term in the network code;

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(b) mathematical expressions:

$ $	used in formulae means "such that";
\forall	means "for all";
$\sum_{\text{all } y}$	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 ;
$\sum_{\text{all } m}$	means the sum across all months m in formula year t ;
$\sum_{z=a}^b f_z$	means the sum for all values of z from a to b of some variable or function f_z such that the sum of $f_z = f_a + f_{a+1} + f_{a+2} + \dots + f_b$;
$\sum_{z C} f_z$	means the sum for all situations in which z meets some condition C of a variable or function f_z ;
$\sum_{v, n-1}$	means the sum across all variation events v up to the end of day $n-1$;
FPI_m^d	means the number of days between the start of the formula period beginning 1 April 2002 and day d in month m (and for the avoidance of doubt when day d in month m is 1 April 2002 FPI_m^d shall have the value zero(0));
$FPI_{(m-p)}^l$	means the number of days between the start of the formula period beginning 1 April 2002 and the first day of month $(m-p)$ (and for the avoidance of doubt

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	when the first day of month (m-p) is 1 April 2002 $FPI_{(m-p)}^1$ shall have the value zero (0));
$FP2_{(m-p)}^1$	means the number of days between the start of the formula period beginning 1 April 2007 and the first day of month (m-p) (and for the avoidance of doubt when the first day of month (m-p) is 1 April 2007 $FP2_{(m-p)}^1$ shall have the value zero (0));
m(n)	returns the value of the month corresponding to date n. For example, where n = 1 April 2007, m(1 April 2007) gives the value 61;
MAX [x ₁ , x ₂ , x ₃ ..., x _n]	Takes the value of the highest of the set of values {x ₁ , x ₂ , x ₃ , ..., x _n } ;
$MAX_{x C} a_x$	Takes the maximum value taken by the variable a _x as evaluated for each value taken by x where x meets a certain condition C;
MIN [x ₁ , x ₂ , x ₃ ..., x _n]	Takes the value of the lowest of the set of values {x ₁ , x ₂ , x ₃ , ..., x _n } ;
$MIN_{x C} a_x$	Takes the minimum value taken by the variable a _x as evaluated for each value taken by x where x meets a certain condition C;
subscript d	means the relevant day. d=1 refers to the day commencing at 06:00 on 1 st April 2002;
subscript m	means the relevant formula month. m=1 refers to the formula month commencing at 06:00 on 1 st April 2002;
subscript n	means the day relevant for the purposes of determining

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the licensee's entry lead time deferment volume entitlement and the licensee's exit lead time deferment volume entitlement. $n=1$ refers to the day commencing at 06:00 on 1st April 2007;

subscript t means the relevant formula year. $t=1$ refers to the formula year commencing at 06:00 on 1st April 2002;

$y(d)$ returns the value of the formula year corresponding to day d . For example, if $d = 1$ April 2007 then $y(1$ April 2007) gives the value 6;

$y(m)$ returns the value of the formula year corresponding to month m . For example, if $m =$ April 2007 then $y(\text{April 2007})$ gives the value 6;

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. NTS transportation owner activity revenue restriction

1. The principal restriction

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- (a) The licensee shall use its best endeavours in setting its charges relating to the NTS TO activity to ensure that in respect of any formula year the NTS transportation owner revenue (TOR_i) shall not exceed the maximum NTS transportation owner revenue (TOMR_i).

- (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 a written explanation stating the reasons why the NTS transportation owner revenue has exceeded the maximum NTS transportation owner revenue by more than 4 per cent and, in the next formula year, the licensee shall not effect any increase in charges relating to the NTS TO activity unless either:
 - (aa) 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
 - (bb) the Authority has, on the written application of the licensee, consented to such an increase in charges relating to the NTS TO activity.

 - (ii) If, in respect of any two successive formula years, the sum of the NTS transportation owner revenues in those two successive formula years has exceeded the sum of the maximum NTS transportation owner revenues in the same two successive formula years by more than 6 per cent of the maximum NTS transportation owner revenue for the second of those formula years, then in the next formula year the licensee shall, if required by the Authority, adjust its charges relating to the NTS TO activity such that the NTS transportation owner revenue in that next formula year would not be likely in the judgement of the Authority to exceed the maximum NTS transportation revenue in that next formula year.

2. NTS transportation owner revenue (TOR)

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(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 calculated using the following formula:

$$TOR_t = TOREVBEC_t + TOExR_t + TORCOM_t$$

where:

$TOREVBEC_t$ means that amount of NTS TO revenue in respect of formula year t that results from the sale of entry capacity and shall be calculated in accordance with paragraph 6(b) of Special Condition C8D (NTS gas entry incentives, costs and revenues).

$TOExR_t$ means that amount of NTS TO revenue in respect of formula year t that results from:

- (i) charges levied by the licensee on gas shippers and DN operators for the provision of NTS exit capacity that is allocated to the NTS TO activity; and
- (ii) the sale of NTS baseline exit shipper capacity and NTS baseline exit flat capacity;

and shall be calculated in accordance with paragraph 2(a) of Special Condition C8E (NTS gas exit incentives, costs and revenues);

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TORCOM_t means that amount of NTS TO revenue in respect of formula year t that results from:

- (i) charges levied by the licensee on gas shippers and DN operators pursuant to Standard Special Condition A4 (Charging– General); or
- (ii) payments made by the licensee to gas shippers and DN operators;

other than revenue earned by the licensee through TOREVBEC_t and TOExR_t.

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3. Maximum NTS transportation owner revenue (TOMR)

(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 calculated using the following formula:

$$\text{TOMR}_t = \text{TOZ}_t - \text{TOZA}_t + \text{TOF}_t + \text{TOG}_t - \text{TOK}_t$$

where:

TOZ_t means base NTS TO revenue and shall be calculated in the following manner:

:

$$\text{TOZ}_t = \text{£Xm} \times \left[1 + \left(\frac{\text{RPI}_0}{100} \right) \right] \times \text{RPIF}_t$$

where:

RPIF_t is the price index adjustment for the relevant year t, and in the relevant year commencing 1 April 2009 shall take the value of 1 and in each subsequent relevant year shall be derived from the following formula:

$$\text{RPIF}_t = \text{RPIA}_{t-2} \times (1 + \text{GRPIF}_{t-1}) \times (1 + \text{GRPIF}_t)$$

where:

$$\text{RPIA}_t = \text{RPI}_t / \text{RPI}_{2009-10}$$

RPI_t means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from April to March in Formula Year t; and

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$RPI_{2009-10}$ means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from April 2009 to March 2010; and

$$GRPIF_t = 0.75 \times GRPIF_c + 0.25 \times GRPIF_{c+1}$$

$$GRPIF_{t-1} = 0.75 \times GRPIF_{c-1} + 0.25 \times GRPIF_c$$

$GRPIF_c$ means the Retail Prices Index Forecast Growth Rate for the calendar year c and where c is the calendar year 2012. This information is taken from the November 2011 edition of the HM Treasury publication “Forecasts for the UK Economy,” where Retail Prices Index Forecast Growth Rate means:

- (i) the growth rate as defined as the “New forecasts (marked *)” in the HM Treasury “Forecasts for the UK Economy” publication, published in the November of each year; or
- (ii) if the HM Treasury does not publish that growth rate, or changes the basis for calculating that growth rate, the Authority will, after consultation with the licensees, determine an appropriate index to be used.

$TOZA_t$ means the base NTS TO revenue adjustment term made in the formula year t in respect of the Milford Haven pipe-line project and shall be calculated in accordance with the following formula:

$$TOZA_t = \text{£}X_m \times RPIF_t$$

$$TOZA_t = \text{£}9,500,000 \times PIT_t$$

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

TOF_t means the NTS TO cost pass-through adjustment term in respect of formula year t and shall be calculated in accordance with paragraph 3(b) of this condition.

TOG_t means the NTS TO incentive revenue adjustment term in respect of formula year t and shall be calculated in accordance with paragraph 3(c) of this condition.

TOK_t means the NTS TO revenue adjustment term in respect of formula year t 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 term in respect of formula year t (TOF_t) shall be calculated in the following manner:

$$TOF_t = Rate_t + L_t + NTSPDC_t + DNPDC_t + IS_t + HISC_t + OPTC_t$$

Comment [NDR2]: The current set of pass through items will continue to be passed through – IP page 21.

where:

Rate_t means the revenue adjustment term 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:

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

$NDRP_t$ means the NTS prescribed rates and shall take a value of 39.40 % 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; and

$NDRA_t$ means the NTS prescribed rates allowance that has been allowed for in setting TOZ_t and shall be calculated as follows:

$$NDRA_t = TORB_t \times RPIF_t$$

where:

$TORB_t$ shall in each formula year t take the value £Xmillion (in 2009/10 prices); and

$RPIF_t$ is the price indexation adjustment term, which shall be calculated in accordance with paragraph 3(a) of this condition.

L_t means the revenue adjustment term 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 TO activity under Standard Condition 3 (Payments by the Licensee to the Authority) in respect of formula year t; and

LA_t means the licence fee payments that have been allowed

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

for in setting TOZ_t and shall be calculated as follows:

$$LA_t = TOLA_t \times RPIF_t$$

where:

$TOLA_t$ shall take the value, which is in 2009/10 prices, set against the formula year t in the following table:

Formula year commencing 1 April	2007	2008	2009	2010	2011
$TOLA_t$	£7,800,000	£7,600,000	£7,500,000	£7,300,000	£7,300,000

Comment [JC3]: Rebase to 2009-10 prices and add additional column for 2012.

$NTSPDC_t$ means the revenue adjustment term in respect of pension deficit costs associated with non-active scheme members at 1 May 2005 attributable to the NTS in respect of formula year t and shall take the value £Xmillion.

$DNPDC_t$ means the revenue adjustment term in respect of pension deficit costs associated with non-active scheme members at 1 May 2005 attributable to all DN operators in respect of formula year t and shall take the value £Xmillion.

IS_t means an amount in respect of the recovery of costs incurred in respect of arrangements associated with the conveyance of gas to independent systems and identified in paragraph 6 of Special Condition C26 (Gas Conveyed to Independent Systems) in respect of any formula year commencing on or after 1 April 2008.

$HISC_t$ means the amount in respect of the recovery of costs incurred in respect of arrangements associated with the conveyance to

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

independent systems in respect of the formula years commencing 1 April 2005, 1 April 2006 and 1 April 2007, and in the formula year commencing 1 April 2007 shall take a value as agreed in writing by the Authority and in each subsequent formula year shall take the value zero; and

$OPTC_t$ means an amount equal to such costs incurred by the licensee as the Authority may determine shall be treated as pass through costs related to additional security measures required by government in formula year 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 year, $Rate_t$ 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 on 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)

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

$$TOG_t = IFI_t + CxIncRA_t + LC_t$$

Where:

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

IFI_t means the innovation funding incentive revenue adjustment term in the formula year t in respect of the Innovation Funding Incentive (IFI) as derived in paragraph 3(c)(ii) of this condition; and

CxIncRA_t means the baseline capital expenditure incentive revenue adjustment term in the formula year t, and shall take the value zero in all formula years except in the formula year commencing 1 April 2012 where, CxIncRA_t shall take the value as derived in paragraph 3(c)(iv) of this condition; and

LC_t means the revenue adjustment term, whether of a positive or of a zero value, in respect of the full recovery of efficiently incurred logged up costs (adjusted for financing costs) which in all formula years shall take the value zero except for the formula year commencing on 1 April 2013 for which it shall take a value being the total of the operating expenditure and the depreciation and return of the capital expenditure incurred by the licensee in the period 1 April 2007 to 31 March 2012, and reported to the Authority in accordance with Standard Special Condition A40 (Price Control Review Information) in respect of Quarry and loss of development claims subject to the licensee satisfying the Authority that such costs have been efficiently incurred.

Comment [NDR4]: This has been revised to allow a return on logged up costs in 2013, as per logged up costs in IP – page 20

Comment [NDR5]: As per IP page 20 we will not allow any costs to log up during the rollover year – with the exception of CNI costs which will be handled via a separate mechanism and quarry and loss of development (as per 7th October consultation).

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

$$IFI_t = p_{tri} \times (\min(IFIE_t, (\max(\pounds 500,000 + KIFI_t, ((0.005 \times TOZ_t) + KIFI_t))))))$$

Comment [NDR6]: Subject to informal consultation issued 07 Oct 11.

where:

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

ptr_t is the pass-through factor applicable for the formula year t and shall in the formula year commencing on 1 April 2007 and each subsequent formula year take the value 0.8;

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

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

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

$$\text{if } IFIE_{t-1} \leq 0.5 \times \max \{ \text{€}500,000, \text{€}0.005 \times TOZ_{t-1} \};$$
$$KIFI_t = 0.5 \times \max \{ \text{€}500,000, \text{€}0.005 \times TOZ_{t-1} \}$$

$$\text{if } IFIE_{t-1} > 0.5 \times \max \{ \text{€}500,000, \text{€}0.005 \times TOZ_{t-1} \} \text{ and}$$
$$IFIE_{t-1} \leq \max \{ \text{€}500,000, \text{€}0.005 \times TOZ_{t-1} \};$$
$$KIFI_t = \max \{ \text{€}500,000, \text{€}0.005 \times TOZ_{t-1} \} \times IFIE_{t-1}$$

$$\text{if } IFIE_{t-1} > \max \{ \text{€}500,000, \text{€}0.005 \times TOZ_{t-1} \};$$
$$KIFI_t = 0$$

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

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

“eligible IFI expenditure” means the amount of expenditure spent or accrued by the licensee in respect of

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eligible IFI projects;

“eligible IFI projects” means those projects that meet the requirements described for such IFI 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; and

in each case above, all as more fully set out in the revenue reporting regulatory instructions and guidance for the time being in force under Special Condition C14B (Price Control Revenue Reporting and Associated Information) in relation to the IFI scheme.

(iv) For the purposes of paragraph 3(c)(i), $CxIncRA_t$ will be equal to **Exm** calculated in accordance with the formula below:

Comment [W7]: This value will be communicated in our final proposals in 2009/10 prices.

$$CxIncRA_t = \left(\left[\sum_n \left[CIR_n - 0.25 \right] \times PVF_n \times \left[IncDif_n \right] \right] \times RPIF_t \right) + \left(\left[\sum_n \left[IR_n \times PVF_n \times MH_n \right] \right] \times RPIF_t \right)$$

where

n means the formula year n such that the first formula year n shall be the year commencing on 1 April 2007 and accordingly the fifth formula year n is the year commencing on 1 April 2011;

CIR_n means the capital expenditure incentive sharing factor, representing the proportion of the licensee's exposure to under or overspend against the capital expenditure allowance for the formula year n that would be borne by the licensee during the revenue restriction period if no adjustment were to be made to the licensee's revenue in accordance with this condition and shall take the value set out in the table below:

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

Formula year commencing 1 April:	2007	2008	2009	2010	2011
CIR _n	0.3139	0.2513	0.1835	0.1103	

Comment [NDR8]: Add additional column for 2012.

PVF_n 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 _n	1.35408	1.27443	1.19946	1.12891	1.0625

Comment [NDR9]: Add additional column for 2012.

IncDif_n represents the difference, expressed in 2009/10 prices, between the adjusted efficient capital expenditure and the base capital expenditure allowance in respect of the formula year n and shall be calculated in accordance with the following formula:

$$IncDif_n = \frac{ACx_n}{RPIF_n} - BCx_n$$

where:

Comment [JC10]: Replaced PIT in formula below with RPIF.
Formula depends on how the condition is to be worded. If this is only for the rollover year then subscript n can be removed throughout as only summing over one year.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

ACx_n is the adjusted efficient capital expenditure incurred by the licensee in respect of the formula year n and shall be calculated in accordance with paragraph 3(c)(v) of this condition;

$RPIF_n$ shall take the value of $RPIF_t$ for formula year $t=n$, where $RPIF_t$ shall take the same meaning as given in paragraph 3(a) of this condition; and

BCx_n means, subject to paragraph 5 of this condition, the base capital expenditure allowance, expressed in 2009/10 prices, in respect of the formula year n and shall take the value set out in the table below:

Formula year commencing 1 April:	2007	2008	2009	2010	2011
BCx_n	£470,300,000	£212,800,000	£56,000,000	£44,200,000	£41,000,000

Comment [JC11]: Rebase to 2009-10 prices and add additional column for 2012.

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

$$ACx_n = Cx_n - SOCx_n - ESCx_n - LCx_n - MH_n - DCx_n$$

where:

Cx_n means the capital expenditure, expressed net of pensions contributions, incurred by the licensee in the formula year n as reported to the Authority pursuant to Standard Special Condition A40 (Price Control Review Information);.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

- $SOCx_n$ means the total capital expenditure, expressed net of pensions contributions, incurred by the licensee in the formula year n in providing incremental obligated entry capacity (excluding that capital expenditure in relation to the Milford Haven pipeline system in respect of entry capacity released for sale during the allocation held between September 2004 and December 2004 (inclusive)) and providing NTS incremental exit capacity as reported to the Authority pursuant to Standard Special Condition A40 (Price Control Review Information);
- $ESCx_n$ means that amount of capital expenditure net of capital contributions incurred by the licensee in respect of the formula year n that may be treated as excluded services as 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);
- LCx_n means that amount of capital expenditure incurred by the licensee in the formula year n that falls to be treated as logged up capital expenditure and as reported to the Authority pursuant to paragraph 3(c)(viii);
- MH_n means that amount of capital expenditure incurred by the licensee in the formula year n 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 maximum value of £Xmillion in 2009/10 prices) as directed by the Authority on or before 31 March 2013; and
- DCx_n means that amount of capital expenditure incurred by the licensee in respect of the formula year n in respect of which the Authority has issued a direction on or before 31 March 2012 in respect of the formula years from 1 April 2007 to 31 March 2011, and on or before 31 March 2017 in respect of the formula year commencing on 1 April 2011, that such expenditure is deemed inefficient in accordance with sub-paragraphs (vi) and (vii) of this condition. It shall take the value zero unless the Authority directs otherwise.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

(vi) For the purposes of sub-paragraph (v), before issuing a direction that certain capital expenditure is deemed inefficient the Authority shall issue a notice in writing to the licensee specifying:

(aa) the capital expenditure that the Authority proposes to deem inefficient;

(bb) the reasons why the Authority considers that the capital expenditure referred to in sub-paragraph (aa) is inefficient; and

(cc) the date, being no less than 28 days from the date of the Authority's notice, by which the licensee may make representations to the Authority in respect of that notice.

(vii) The Authority shall have regard to any representations made by the licensee in response to the notice referred to in sub-paragraph (vi) before making any direction in respect of sub-paragraph (v).

(viii) For the purposes of paragraph 3(c)(v) of this condition, LCx_n shall comprise those capitalised costs incurred, and reported to the Authority by the licensee in relation to the following cost categories:

(aa) Quarry and loss of development claims;

subject to the licensee satisfying the Authority that such costs have been efficiently incurred.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

(d) NTS transportation owner revenue adjustment (TOK)

- (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 calculated 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,

- (aa) 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 (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) of this licence in the form in force as at 31 March 2007;
- (bb) 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,

- (aa) in respect of the formula year commencing 1 April 2007, take the value of $TOMR_t$ derived, in respect of the formula year commencing 1 April 2006, in accordance with paragraph 3(1) of part 1a of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) of this licence in the form in force as at 31 March 2007;
- (bb) in respect of the formula year commencing 1 April 2008 and each subsequent formula

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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; and

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. 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 4(b) to 4(f) of this condition.
- (b) The NTS transportation owner activity revenue restriction conditions or any part of them 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 4(c) of this condition or notice is given to the Authority by the licensee in accordance with either paragraph 4(e) or paragraph 4(f) 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

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

- (iii) state the date (being not earlier than the date referred to in paragraph 4(d) of this condition) from which the licensee wishes the Authority to agree that those conditions (or part or parts thereof) shall cease to have effect.
- (d) No disapplication following delivery of a disapplication request shall have effect until a date (the "disapplication date") being 31 March of the first formula year that ends more than 18 months after the date of that disapplication request.
- (e) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of the conditions or the part or parts thereof specified in the disapplication request before the beginning of the period of 6 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 such conditions or any part or parts thereof as are specified in the disapplication request with effect from 1 April in the formula year first commencing after the disapplication date.
- (f) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that:
 - (i) the cessation of those conditions, in whole or in part, operates or may be expected to operate against the public interest; or
 - (ii) that any adverse effects specified by the Competition Commission could be remedied or prevented by such modifications of the relevant conditions as are specified in the report,
 the licensee may within 30 days after the publication of the report on a reference made by the Authority in accordance with section 25 of the Act deliver to the Authority written notice terminating the application of those conditions or any part or parts thereof with effect from 1 April in the formula year first commencing after the disapplication date.

Comment [NDR12]: This is likely to require amending in line with the regulations transposing the third package. Any consequential changes to this condition will be processed separately.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

5. Capital Expenditure Safety Net

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

Comment [JC13]: Replaced PIT with RPIF in formula below.

$$\text{Rel}CX_t = \frac{CX_t - SOCX_t - ESCX_t - LCX_t - MH_t}{RPIF_t}$$

where:

CX_t shall take the value of CX_n for formula year $n=t$, where CX_n shall take the same meaning as given in paragraph 3 of this condition;

$SOCX_t$ shall take the value of $SOCX_n$ for formula year $n=t$, where $SOCX_n$ shall take the same meaning as given in paragraph 3 of this condition;

LCX_t shall take the value of LCX_n for formula year $n=t$, where LCX_n shall take the same meaning as given in paragraph 3 of this condition; and

$ESCX_t$ shall take the value of $ESCX_n$ for formula year $n=t$, where $ESCX_n$ shall take the same meaning as given in paragraph 3 of this condition;

MH_t shall take the value of MH_n for formula year $n=t$, where MH_n shall take the same meaning as given in paragraph 3 of this condition; and

$RPIF_t$ shall take the same meaning as given in paragraph 3(a) of this condition.

- (b) The licensee shall use reasonable endeavours to estimate relevant capital expenditure in respect of the formula year t and each subsequent formula year up to and including the formula year commencing 1 April 2012.
- (c) For the purposes of paragraph 5(d) of this condition, the relevant capital expenditure allowance ($\text{Rel}ACX_t$) in the formula year t shall be calculated in accordance with the following formula:

$$\text{Rel}ACX_t = BCX_t$$

where:

BCX_t shall take the value of BCX_n for formula year $n=t$, where BCX_n shall

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take the same meaning as given in paragraph 3 of this condition.

- (d) If, in respect of the formula year t or any subsequent formula year up to and including the formula year commencing 1 April 2012, the licensee reasonably expects that relevant capital expenditure will be less than $0.8 \times \text{RelACx}_t$ 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 formula year; and
 - (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).
- (e) The Authority may request any additional information in relation to paragraphs 5(a) to 5(d) of this condition that it considers reasonably necessary to exercise its duties and functions under the Act. Such a request shall be made in writing by the Authority to the licensee and specify the date by which the information shall be provided to the Authority being not less than 14 days from the date of the Authority's request.
- (f) Where the Authority issues a written request pursuant to paragraph 5(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 that request.
- (g) The Authority may, having considered the information provided by the licensee pursuant to this condition, by notice in writing 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 to reduce TOZ_t as a result of relevant capital expenditure RelCAx_t being less than $0.8 \times \text{RelACx}_t$;
 - (ii) the date on which the Authority proposes that the proposed reduction in TOZ_t would take effect;
 - (iii) 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;

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

- (iv) the time , (being not less than 28 days from the date of the Authority's notice) within which representations by the licensee may be made, and
 - (v) the date by which the Authority intends to give effect to such proposed amendments to the licence under section 23 of the Act.
- (h) The Authority shall consider any representations made by the licensee in response to the notice referred to in paragraph 5(g) of this condition before proposing modification to the value of TOZ_t under section 23 of the Act.
- (i) The proposals provided to the licensee pursuant to paragraph 5(g) of this condition shall be constructed, so far as is reasonably practicable, to reduce the licensee's TOZ_t by an amount which is no more than an amount which represents the savings in financing costs, including depreciation, in respect of a reduction to the capital expenditure allowance determined by the Authority for the purpose of this part of this condition in the light of information provided by the licensee in accordance with this part of this condition.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

Special Condition C8C. NTS System Operation Activity Revenue Restriction

1. Principal restriction

- (a) The licensee shall use its best endeavours in setting its charges relating to the NTS SO activity to ensure that in respect of any formula year the NTS system operation revenue (SOR_t) shall not exceed the maximum NTS system operation revenue ($SOMR_t$).
- (b) If in respect of any formula year the NTS system operation revenue (SOR_t) exceeds the maximum NTS system operation revenue ($SOMR_t$) by more than 4 per cent of the latter, the licensee shall provide to the Authority a written explanation stating the reasons why the NTS system operation revenue has exceeded the maximum NTS system operation revenue by more than 4 per cent and, in the next formula year, the licensee shall not effect any increase in charges relating to the NTS SO activity unless either:
 - (i) it has demonstrated to the reasonable satisfaction of the Authority that the NTS system operation revenue would not be likely to exceed the maximum NTS system operation revenue in that next following formula year; or
 - (ii) the Authority has, on the written application of the licensee, consented to such an increase in charges relating to the NTS SO activity.
- (c) If, in respect of any two successive formula years, the sum of the NTS system operation revenues in those two successive formula years has exceeded the sum of the maximum NTS system operation revenues in the same two successive formula years by more than 6 per cent of the maximum NTS system operation revenue for the second of those formula years, then in the next formula year the licensee shall, if required by the Authority, adjust its charges relating to the NTS SO activity such that the NTS system operation revenue in that next formula year would not be likely in the judgement of the Authority to exceed maximum NTS system operation revenue in that next formula year.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

2. NTS system operation revenue (SOR)

(a) Principal formula

For the purposes of paragraph 1 of this condition, the NTS system operation revenue in respect of formula year t (SOR_t) shall be calculated using the following formula:

$$SOR_t = RCOM_t + SOExRF_t + SORCAP_t + SOROC_t$$

where:

$RCOM_t$ means that amount of NTS SO revenue in respect of formula year t that results from charges levied by the licensee on gas shippers and DN operators pursuant to Standard Special Condition A4 (Charging– General) in respect of NTS SO activities provided by the licensee and shall include revenue from charges to recover both costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from NTS system operation activities other than revenue earned by the licensee through:

- (i) $SOExRF_t$;
- (ii) $SORCAP_t$;
- (iii) $SOROC_t$; and
- (iv) revenues received by the licensee in respect of formula year t from the sale of gas that had been purchased by the licensee in respect of its use of constrained storage facilities in order to avoid transportation constraints;

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SOExRF_t means that amount of NTS SO revenue in respect of formula year t that results from the sale of NTS exit capacity and shall be calculated in accordance with Special Condition C8E (NTS gas exit incentives, costs and revenues);

SORCAP_t means that amount of NTS SO revenue in respect of formula year t that results from the sale of entry capacity and shall be calculated in accordance with paragraph (6)(a) of Special Condition C8D (NTS gas entry incentives, costs and revenues); and

SOROC_t means that amount of NTS SO revenue in respect of formula year t that results from associated SO charges levied by the licensee and shall be calculated in accordance with paragraph 3(d)(i) of this condition.

3. Maximum NTS system operation revenue (SOMR_t)

(a) Principal formula

For the purposes of paragraph 1 of this condition, the maximum NTS system operation revenue in respect of formula year t (SOMR_t) shall be calculated using the following formula:

$$\text{SOMR}_t = \text{SOEIRC}_t + \text{SOExIRC}_t + \text{SOOIRC}_t + \text{SOIntIRC}_t + \text{SORA}_t +$$

$$\text{BBIOCA}_t + \text{DELINC}_t - \text{SOK}_t$$

where:

SOEIRC_t means the NTS system operation entry incentive revenue and costs in respect of formula year t and shall be calculated in accordance with Special Condition C8D (NTS gas entry incentives, costs and revenues);

SOExIRC_t means the NTS system operation exit incentive revenue and costs in respect of formula year t and shall be calculated in accordance with Special Condition C8E (NTS gas exit incentives, costs and revenues);

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SOOIRC_t means other NTS external cost system operation incentive revenue and costs in respect of formula year t and shall be calculated in accordance with Special Condition C8F (Other NTS System Operator external incentives, costs and revenues);

SOIntICR_t means the NTS system operation internal cost incentive revenue and costs in respect of formula year t and shall be calculated in accordance with Special Condition C8G (NTS System Operator internal incentives, costs and revenues);

SORA_t means approved allowance in respect of an income adjusting event (whether of a positive or negative value) to be made in respect of formula year t and shall be calculated in accordance with paragraph 3(b) of this condition; and

BBIOCA_t means the buyback incentive overall collar adjustment in respect of formula year t and shall be calculated in accordance with the following formula:

(i) If $(EnCOBBIR_t + EnCIBBIR_t + ExXSIBBC_t) < (BBIODC \times RPIF_t)$, then:

$$BBIOCA_t = - (EnCOBBIR_t + EnCIBBIR_t + ExXSIBBC_t) - (BBIODC \times RPIF_t)$$

(ii) If $(EnCOBBIR_t + EnCIBBIR_t + ExXSIBBC_t) \geq (BBIODC \times RPIF_t)$, then:

$$BBIOCA_t = 0$$

where:

EnCOBBIR_t shall take the value for that term calculated in accordance with paragraph 3(a) of Special Condition C8D (NTS gas entry incentives, costs and revenues) of this licence;

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$EnCIBBIR_t$ shall take the value for that term calculated in accordance with paragraph 5(a) of Special Condition C8D (NTS gas entry incentives, costs and revenues) of this licence;
 $ExXSIBBC_t$ shall take the value for that term calculated in accordance with paragraph 1(g) of Special Condition C8E (NTS gas exit incentives, costs and revenues) of this licence;
 $BBIODC$ is the buyback incentives overall downside collar and shall take the value -£Xmillion (in 2009-10 prices); and
 $RPIF_t$ is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence.
 $DELINC_t$ shall take the value 0 other than in formula year commencing 1 April 2012 when it shall be calculated in accordance with the following formula:

$$DELINC_t = RLTDVE_n + RLTDVE_x$$

where:

$$RLTDVE_n = \min[(LTDVE_{n_{end}} \times \text{£}5000), (\text{£}X\text{million} \times RPIF_t)];$$

Comment [NDR14]: Assess whether this figure needs to be reviewed or not.

where:

$LTDVE_{n_{end}}$ means the value of $LTDVE_n$ (in GWh per day for each one month period) where day n is 31 March 2012.

where:

$LTDVE_n$ is defined as in paragraph 3(h) of Special Condition C8D (NTS gas entry incentives, costs and revenues) of this licence;

$$RLTDVE_x = \min[(LTDVE_{x_{end}} \times \text{£}274), (\text{£}X\text{million} \times RPIF_t)];$$

Comment [NDR15]: Assess whether this figure needs to be reviewed or not.

where:

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$LTDVEx_{end}$ means the value of $LTDVEx_n$ (in GWh per day)
where day n is 31 March 2012.

where:

$LTDVEx_n$ is defined as in paragraph 5 of
Special Condition C8E (NTS gas exit
incentives, costs and revenues) of
this licence;

SOK_t means the NTS SO revenue adjustment term equal to NTS system
operation revenue under or over recovery in respect of formula
year t-1 and shall be derived in accordance with paragraph 3(c) of
this condition.

**(b) Determination of any adjustment factor to be applied to maximum
NTS system operation revenue ($SORA_t$)**

- (i) An income adjusting event may arise from any of the following:
- (A) an event or circumstance constituting force majeure under the network code;
 - (B) an event or circumstance resulting in the declaration of a network gas supply emergency (having the meaning given to such term in the network code);
 - (C) where the licensee serves a termination notice (having the meaning given to that term in the network code) on a gas shipper and the revenues derived by the licensee from the sale of that obligated entry capacity are less than the revenues that would have been derived from the original sale of that capacity had the original purchaser of the capacity not been served with a termination notice (having the meaning given to that term in the network code); and

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(D) an event or circumstance other than listed above which is, in the opinion of the Authority, an income adjusting event and is approved by it as such in accordance with paragraph 3(b)(ix) of this condition,

where the event has, for relevant formula year t:

- (aa) increased or decreased the value of "relevant system operation costs" (having the meaning given to that term in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity)) by more than £2,000,000 (the "threshold amount"). This threshold amount does not apply in respect of sub-paragraphs 3(b)(i)(B) or 3(b)(i)(C) above; or
 - (bb) increased or decreased the value of IOC_t (having the meaning given to that term in paragraph 1(b) of Special Condition C8G (NTS system operator internal incentives, costs and revenues)) or ICE_t (having the meaning given to that term in paragraph 1(c) of Special Condition C8G (NTS system operator internal incentives, costs and revenues)) by more than £1,000,000 (the "internal threshold amount") and is demonstrably not included in $IOIT_t$ or $ICET_t$ respectively (having the meaning given to those terms in paragraphs 1(b) and 1(c) of Special Condition C8G (NTS system operator internal incentives, costs and revenues) respectively) for formula year t. This internal threshold amount does not apply in respect of sub-paragraphs 3(b)(i)(B) or 3(b)(i)(C) above.
- (ii) Where the licensee considers, and can provide supporting evidence that, in respect of relevant formula year t, there have been costs and/or expenses that have been incurred or saved by an income adjusting event, then the licensee shall give notice of this event to the Authority.
 - (iii) Where any shipper considers, and can provide supporting evidence that, in respect of formula year t, there have been costs and/or expenses that have been incurred or saved by an income adjusting event, then that shipper may give notice of this event to the Authority.

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(iv) A notice provided to the Authority under paragraphs 3(b)(ii) or 3(b)(iii) shall, in the case of the licensee, and should in so far as is practicable in the case of any shipper, give particulars of:

(A) the event to which the notice relates and the reason(s) why the person giving the notice considers this event to be an income adjusting event;

(B) the amount of any change in costs and/or expenses that can be demonstrated by the person giving the notice to have been caused or saved by the event and how the amount of these costs and/or expenses has been calculated;

(C) the amount of any allowed income adjustment proposed as a consequence of that event and how this allowed income adjustment has been calculated; and

(D) any other analysis or information which the person submitting the notice considers to be sufficient to enable the Authority and shippers to fully assess the event to which the notice relates.

(v) If the Authority considers that the analysis or information provided in subparagraphs 3(b)(iv)(A) to 3(b)(iv)(D) above is insufficient to enable both the Authority and shippers to assess whether an income adjusting event has occurred and/or the amount of any allowed income adjustment that should be approved, the Authority can request that the supporting evidence be supplemented with additional material that it considers appropriate.

(vi) A notice of an income adjusting event shall be given as soon as is reasonably practicable after the occurrence of the income adjusting event, and, in any event, not later than three months after the end of the relevant formula year t in which it occurs.

(vii) The Authority will make public the notice and supporting evidence and information, excluding any confidential information, which it has received under paragraph 3(b)(ii) or 3(b)(iii) of this condition.

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(viii) Any notice submitted to the Authority under either paragraphs 3(b)(ii) or 3(b)(iii) above shall clearly identify whether any of the information contained in the notice is confidential information. The Authority shall make the final determination as to whether the information is confidential information for the purpose of paragraph 3(b)(vii) having regard to:

(A) the need to exclude from disclosure, so far as is reasonably practicable, information whose disclosure the Authority considers would or might seriously prejudicially affect the interests of a person to which it relates; and

(B) the extent to which the disclosure of the information mentioned in sub-paragraph 3(b)(viii)(A) is necessary for the purpose of enabling shippers to fully assess the event to which the notice relates.

(ix) Following consultation with such parties as the Authority considers likely to be affected by its determination, including the licensee and shippers, the Authority shall determine:

(A) whether any or all of the costs and/or expenses referred to in a notice pursuant to paragraphs 3(b)(ii) or 3(b)(iii) of this condition were incurred or saved as a result of an income adjusting event;

(B) whether the event or circumstance has increased or decreased the value of relevant system operation costs (having the meaning given to that term in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity)) by more than the threshold amount or has increased or decreased the value of IOC_t or ICE_t (having the meaning given to those terms in paragraphs 1(b) and 1(c) of Special Condition C8G (NTS system operator internal incentives, costs and revenues) respectively) by more than the internal threshold amount, save in the case of sub-paragraphs 3(b)(i)(B) and 3(b)(i)(C) where the threshold amount and internal threshold amount shall not apply; and

(C) if so, whether the amount of the proposed income adjustment ensures that the financial position and performance of the licensee are,

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insofar as is reasonably practicable, the same as if that income adjusting event had not taken place, and if not, what allowed income adjustment would secure that effect.

- (x) In relation to formula year t , the approved allowance in respect of an income adjustment ($SORA_t$) shall be:

- (A) the value determined by the Authority under paragraph 3(b)(ix) of this condition; or

- (B) if the Authority has not made a determination under paragraph 3(b)(ix) of this condition within three months of the date on which the notice of an income adjusting event was provided to the Authority, the amount of the allowed income adjustment proposed as a consequence of the event in the notice given to the Authority under paragraph 3(b)(iv)(C); or

- (C) in all other cases zero, including situations where the Authority has not made a determination under paragraph 3(b)(ix) of this condition within three months of the date on which notice under paragraphs 3(b)(ii) or 3(b)(iii) was provided to the Authority and the Authority has, before the end of that three month period, informed the relevant parties that the Authority considers that the analysis or information provided in accordance with paragraphs 3(b)(iv) and/or 3(b)(v) is insufficient to enable the Authority and shippers to assess whether an income adjusting event has occurred and/or the amount of any allowed income adjustment.

- (xi) The Authority's decision in relation to any notice given under paragraphs 3(b)(ii) or 3(b)(iii) shall be in writing, shall be copied to the licensee and shall be published.

- (xii) The Authority may revoke an approval of an income adjusting event and allowed income adjustment with the consent of the licensee, following consultation with the licensee and shippers. Revocation of any income adjusting event and allowed income adjustment shall be in writing, shall be copied to the licensee and shall be in the public domain.

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(c) NTS SO revenue adjustment (SOK)

For the purposes of paragraph 3(a) of this condition, the NTS SO revenue adjustment term in respect of formula year t SOK_t shall be calculated in the following manner:

$$SOK_t = (SOR_{t-1} - SOMR_{t-1}) \times \left(1 + \frac{I_t + PI_t}{100} \right)$$

where:

SOR_{t-1} shall,

- (A) in respect of the formula year commencing 1 April 2007, take the value of SOR_t derived, in respect of the formula year commencing 1 April 2006, in accordance with paragraph 13(1) of part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) 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;

$SOMR_{t-1}$ shall,

- (A) in respect of the formula year commencing 1 April 2007, take the value of $SOMR_t$ derived, in respect of the formula year commencing 1 April 2006, in accordance with paragraph 14(1) of part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) 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

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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; and

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

(d) Associated SO charges ($SOROC_t$)

- (i) NTS SO revenue derived by the licensee through associated SO charges in respect of formula year t ($SOROC_t$) shall be calculated from the following formula:

$$SOROC_t = RNC_t + RCOR_t + FTI_t + RLOC_t + RADD_t$$

where:

RNC_t means the net revenue derived by the licensee in respect of formula year t from balancing neutrality charges (having the meaning given to that term in the network code);

$RCOR_t$ means the revenue derived by the licensee in respect of formula year t from system entry overrun charges (having the meaning given to that term in the network code);

FTI_t means the revenue derived by the licensee in respect of formula year t from charges levied on gas shippers and DN operators in respect of any failure to interrupt (having the meaning given to that term in the network code);

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$RLOC_t$ means the revenue derived by the licensee in respect of formula year t from locational sell actions and physical renomination incentive charges (having the meaning given to that term in the network code); and

$RADD_t$ means any further revenues derived by the licensee in respect of formula year t that the Authority has directed to include in the formula for the entry capacity operational buy-back performance measure ($EnCOBBIP_t$) as set out in paragraph 3(b) of Special Condition C8D (NTS gas entry incentives, costs and revenues).

4. Disapplication of the NTS SO activity revenue restriction

- (a) The NTS system operation 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 4(b) to 4(f) of this condition.
- (b) The NTS system operation activity revenue restriction conditions (or any part or parts thereof) 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 4(c) of this condition or if notice is given to the Authority by the licensee in accordance with either paragraph 4(e) or paragraph 4(f) of this condition.
- (c) A disapplication request shall:
 - (i) be in writing addressed to the Authority;
 - (ii) specify the NTS system operation 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 4(d) of the condition) from which the licensee wishes the Authority to

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agree that the conditions (or part or parts thereof) shall cease to have effect.

- (d) No disapplication, following delivery of a disapplication request, shall have effect until a date (the "disapplication date") being:
 - (i) in case of a disapplication request to Special Condition C8C (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 C8G (NTS System Operator incentives, costs and revenues), 31 March of the first formula year that ends more than 18 months after the date of the disapplication request; and
 - (ii) in case of a disapplication request which relates to Special Condition C8F (NTS System Operator external incentives, costs and revenues), the earlier of not less than 18 months after the date of that disapplication request and 31 March 2008.
- (e) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of the conditions or the part or parts thereof specified in the disapplication request before the beginning of the period of 6 months which will end on 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 such conditions (or any part or parts thereof) as are specified in the disapplication request with effect from 1 April in the formula year first commencing after the disapplication date.
- (f) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that:
 - (i) the cessation of those conditions, in whole or in part, operates or may be expected to operate against the public interest; or
 - (ii) that any adverse effects specified by the Competition Commission could

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be remedied or prevented by such modifications of the relevant conditions as are specified in the report, the licensee may within 30 days after the publication of the report on a reference made by the Authority in accordance with section 25 of the Act deliver to the Authority written notice terminating the application of those conditions or any part or parts thereof with effect from 1 April in the formula year first commencing after the disapplication date.

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Special Condition C8D. NTS gas entry incentives, costs and revenues

PART A – The Gas Entry Revenue Restriction Calculations

1. Principal formula

For the purposes of paragraph 3(a) of Special Condition C8C (NTS System Operation Activity Revenue Restriction) the NTS SO entry incentive revenue and costs in respect of formula year t (SOEIRC_t) shall be defined in accordance with:

$$\text{SOEIRC}_t = \text{ECIIR}_t + \text{ARIEnC}_t + \text{EnCBBOIR}_t + \text{EnCBBMHSI}_t + \text{EnCBBIIR}_t$$

Where:

ECIIR_t means the maximum entry capacity investment incentive revenue allowed to the licensee in respect of formula year t that arises due to entry capacity released prior to 1 April 2007 in accordance with Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) of this licence in force at that time, and shall be calculated in accordance with Annex A to this condition;

ARIEnC_t means the maximum revenue entitlement allowed to the licensee in respect of the release of funded incremental obligated entry capacity in formula year t and shall be calculated in accordance with paragraph 2(a) of this condition;

EnCBBOIR_t means the maximum revenue entitlement allowed to the licensee in respect of the entry capacity operational buy-back incentive in formula year t and shall be calculated in accordance with paragraph 3(a) of this condition;

EnCBBMHSI_t means the maximum revenue entitlement allowed to the licensee in respect of the delivery of the Milford Haven pipe-line project in formula year t and shall be calculated in accordance with paragraph 4(a) of this condition; and

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EnCBBIIR_t means the maximum revenue entitlement allowed to the licensee in respect of the entry capacity incremental buyback incentive in formula year t and shall be calculated in accordance with paragraph 5(a) of this condition.

2. Maximum revenue entitlement allowed in respect of the release of incremental obligated entry capacity

- a) For the purposes of paragraph 1 of this condition the maximum revenue entitlement allowed to the licensee in respect of the release of funded incremental obligated entry capacity in formula year t (ARIEnC_t) shall be determined in accordance with the following formula:

$$ARIEnC_t = RPIF_t \square \sum_{\forall i} \sum_{\forall m \neq t} ARIEnCS_{i,m}$$

where:

RPIF_t shall have the same meaning as given in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction);

ARIEnCS_{i,m} means the revenue allowance at NTS Entry Point i for month m, which shall take a value of zero for all m □ 60 and shall otherwise be calculated in accordance with the relevant formula specified in Table 1 below:

Table 1

where: FIOEnC _{i,m} ≤ 25 GWh/d	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(i) of this condition (“Formula A”);
where: 25 GWh/d < FIOEnC _{i,m} ≤ 100 GWh/d	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(ii) of this condition (“Formula B”);
where: 100 GWh/d < FIOEnC _{i,m} ≤ 500 GWh/d	ARIEnCS _{i,m} shall be calculated using the formula specified in

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	paragraph 2(c)(iii) of this condition (“Formula C”);
where: 500 GWh/d < FIOEnC _{i,m}	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(iv) of this condition (“Formula D”);

- b) For the purposes of Table 1, FIOEnC_{i,m} means the funded incremental obligated entry capacity at NTS Entry Point i in month m and shall take the value 0 for all m < 60 and shall otherwise take the value defined in accordance with the following formula:

$$FIOEnC_{i,m} = \sum_{p=0}^{59} \sum_{W=0}^{FP_{m-p}^1} FIOEnC_{i,(m-p),W}$$

where:

FIOEnC_{i,(m-p),W} means the volume of funded incremental obligated entry capacity at NTS entry point i (in units of GWh per day), for use from the first day of the first month (m-p), for which the obligation to offer such capacity for sale (being a date on or after 1 April 2007) commenced as at W days in advance of the first day of the first month (m-p), as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such funded incremental obligated entry capacity shall be treated as non-incremental obligated entry capacity from the period commencing on the first day of month (m-p+60) and shall have a non-zero value only for the first month (m-p) and the day that is W days in advance of the first day of the first month (m-p);

- c) For the purposes of paragraph 2(a) of this condition:

- i) Formula A shall be:

$$ARIEnCS_{i,m} = FIOEnC_{i,m} \times EnFIR1_{i,t}$$

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where :

$$\text{EnFIR1}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=1.$$

ii) Formula B shall be:

$$\text{ARIEnCS}_{i,m} = (25 \times \text{EnFIR1}_{i,t}) + (\text{FIOEnC}_{i,m} - 25) \times \text{EnFIR2}_{i,t}$$

where :

$$\text{EnFIR1}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=1; \text{ and}$$

$$\text{EnFIR2}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=2.$$

iii) Formula C shall be:

$$\begin{aligned} \text{ARIEnCS}_{i,m} = & (25 \times \text{EnFIR1}_{i,t}) + (75 \times \text{EnFIR2}_{i,t}) + (\text{FIOEnC}_{i,m} - 100) \\ & \times \text{EnFIR3}_{i,t} \end{aligned}$$

where :

$$\text{EnFIR1}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=1;$$

$$\text{EnFIR2}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=2; \text{ and}$$

$$\text{EnFIR3}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=3.$$

iv) Formula D shall be:

$$\begin{aligned} \text{ARIEnCS}_{i,m} = & (25 \times \text{EnFIR1}_{i,t}) + (75 \times \text{EnFIR2}_{i,t}) + (400 \times \text{EnFIR3}_{i,t}) + \\ & (\text{FIOEnC}_{i,m} - 500) \times \text{EnFIR4}_{i,t} \end{aligned}$$

where :

$$\text{EnFIR1}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=1;$$

$$\text{EnFIR2}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=2;$$

$$\text{EnFIR3}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=3; \text{ and}$$

$$\text{EnFIR4}_{i,t} = \text{EnFIRz}_{i,t}, \text{ where } z=4.$$

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- (v) For the purposes of sub-paragraphs (i) to (iv) the funded entry incremental marginal revenue allowance (EnFIR_{z_{i,t}}) shall be calculated as follows:

$$\text{EnFIR}_{z_i,t} = \text{EnIND}_t \times \text{EnFIR}_{z_i}$$

where:

EnIND_t is the real additional cost inflation index and shall take the values in Table 2 below:

Table 2

Year	07/08	08/09	09/10	10/11	11/12 and later
EnIND _t	1	1.025	1.044	1.063	1.085

Comment [JC16]: Represents additional cost inflation given (on top of inflating for RPI). Needs to be extended to 12/13.

EnFIR_{z_i} is the revenue allowance for funded incremental obligated entry capacity and shall take the values in accordance with Table 3 below.

Table 3

	£m/GWh/month	z=			
		1	2	3	4
i	Easington	0.0013	0.0019	0.0059	0.0044
	Bacton	0.0026	0.0057	0.0063	0.0072
	Isle of Grain	0.0029	0.0026	0.0047	0.0105
	Milford Haven	0.0088	0.0137	0.0116	0.0184
	St Fergus	0.0002	0.0054	0.0163	0.0126
	Teesside	0.0013	0.0013	0.0020	0.0072
	Barrow	0.0037	0.0014	0.0021	0.0081
	Theddlethorpe	0.0016	0.0000	0.0021	0.0068
	Burton Point	0.0013	0.0021	0.0013	0.0027
	Hole House Farm	0.0065	0.0001	0.0021	0.0041
	Barton Stacey	0.0052	0.0016	0.0016	0.0131
	Hatfield Moor	0.0019	0.0004	0.0035	0.0015
	Garton	0.0021	0.0021	0.0049	0.0015
Cheshire	0.0008	0.0000	0.0006	0.0010	

Comment [JC17]: Rebase to 2009-10 prices

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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Hornsea	0.0008	0.0012	0.0030	0.0030
Fleetwood	0.0072	0.0000	0.0011	0.0053
Burton Agnes (Caythorpe)	0.0031	0.0028	0.0058	0.0053
Wytch Farm	0.0020	0.0007	0.0078	0.0032
Blyborough (Welton)	0.0030	0.0013	0.0055	0.0037
Winkfield	0.0021	0.0015	0.0054	0.0035
Tatsfield	0.0039	0.0048	0.0075	0.0146
Glenmavis	0.0011	0.0000	0.0005	0.0110
Partington	0.0009	0.0002	0.0008	0.0012
Avonmouth	0.0067	0.0024	0.0060	0.0088
Dynevor Arms	0.0037	0.0081	0.0071	0.0205
Albury	0.0180	0.0013	0.0056	0.0043
Palmers Wood	0.0073	0.0037	0.0075	0.0146
Portland	0.0102	0.0030	0.0108	0.0118
Canonbie	0.0020	0.0038	0.0072	

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3. Entry capacity operational buy-back incentive revenue

- a) For the purposes of paragraph 1 of this condition, the maximum entry capacity operational buy-back incentive revenue in formula year t (EnCBBOIR_t) shall be derived in accordance with the following formula:

$$\text{EnCBBOIR}_t = \text{EnCOBBC}_t + \text{EnCOBBIR}_t + \text{EnCNOIR}_t$$

where:

EnCOBBC_t means the subset of the costs (EnCBBC_t as defined in paragraph 3(c) of this condition) incurred by the licensee in respect of formula year t in respect of entry capacity constraint management:

- (i) including (but not limited to) costs incurred by the licensee in respect of any payments made by the licensee to curtail the rights of relevant shippers to use firm entry capacity in formula year t (or any part thereof) which would otherwise be conferred on relevant shippers through the ownership of entry capacity rights; and
- (ii) excluding (subject to the provision of paragraph 3(n) of this condition) costs incurred by the licensee in this manner where the relevant shippers' ownership of entry capacity rights relates to:
 - (aa) funded incremental obligated entry capacity first released for sale by the licensee after 31 March 2007 (as included within the term EnCIBBC_t (as defined in paragraph 5(a) of this condition) until such time as that entry capacity has been delivered to relevant shippers; and
 - (bb) funded incremental obligated entry capacity in respect of the Milford Haven NTS Entry Point released for sale

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during the allocation held between September 2004 and December 2004 (inclusive), for use at the Milford Haven NTS Entry Point from 1 October 2007 (as included within the term $EnCBBMHBBC_t$ as defined in paragraph 4(a) of this condition), until such time as that capacity has been delivered to relevant shippers;

$EnCNOIR_t$ has the meaning given in paragraph 3(b) of this condition;

$EnCOBBIR_t$ shall (except that in the circumstances specified in paragraph 3(j) of this condition when it shall take the value 0) be calculated in accordance with the following formula:

i) If $EnCOBBIP_t \leq (EnCOBBTC \times RPIF_t)$, then:

$$EnCOBBIR_t = \text{MIN}\{EnCOBBSF \times ((EnCOBBTC \times RPIF_t) - EnCOBBIP_t), (EnCOBBUC \times RPIF_t)\}$$

ii) If $EnCOBBIP_t > (EnCOBBTC \times RPIF_t)$, then

$$EnCOBBIR_t = \text{MAX}\{EnCOBBSF \times ((EnCOBBTC \times RPIF_t) - EnCOBBIP_t), -(EnCOBBDC \times RPIF_t)\}$$

where:

$EnCOBBIP_t$ means the entry capacity operational buy-back performance measure in respect of formula year t and shall be defined in accordance with paragraph 3(b) of this condition;

$EnCOBBTC$ means the entry capacity operational buy-back target cost and shall take the value of £18,000,000 for the period between 1 April 2007 and 31 March 2008, £ 20,250,000 for the period between 1 April 2008 and 31 March 2009, £19,125,000 for the

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period between 1 April 2009 and 31 March 2010 and £13,500,000 for each formula year commencing on or after 1 April 2010;

Comment [JC18]: Rebase to 2009-10 prices

EnCOBBSF means the entry capacity operational buy-back sharing factor and shall take the value of 50%;

EnCOBBUC means the entry capacity operational buy-back upside cap and shall take a value of £18,000,000 for the period between 1 April 2007 and 31 March 2009, £16,875,000 for the period between 1 April 2009 and 31 March 2010 and £13,500,000 for each formula year commencing on or after 1 April 2010; and

Comment [JC19]: Rebase to 2009-10 prices

EnCOBBDC means the entry capacity operational buy-back downside collar and shall take the value of £18,000,000 for the period between 1 April 2007 and 31 March 2009, £16,000,000 for the period between 1 April 2009 and 31 March 2010 and £10,000,000 for each formula year commencing on or after 1 April 2010.

Comment [JC20]: Rebase to 2009-10 prices

Entry capacity operational buy-back performance measure

- b) For the purposes of paragraph 3(a) of this condition, the entry capacity operational buy-back performance measure in respect of formula year t ($EnCOBBIP_t$) shall be derived from the following formula:

$$EnCOBBIP_t = EnCOBBC_t - AOEnCRD_t - REVIC_t - (ANOEEnCR_t - EnCNOIR_t) - RCOR_t - RLOC_t - RADD_t$$

where:

$EnCOBBC_t$ shall have the meaning given to that term in paragraph 3(a) of this condition;

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- AOEnCRD_t means revenue derived by the licensee in respect of formula year t from on the day sales of obligated entry capacity and shall be calculated in accordance with paragraph 8(f) of this condition;
- REVIC_t shall have the meaning given to that term in paragraph 6(a) of this condition;
- ANOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of non-obligated entry capacity and shall be calculated in accordance with paragraph 8(c) of this condition;
- EnCNOIR_t means $\sum_{vi} (EnCNOIR_{i,t})$ where EnCNOIR_{i,t} (the revenues from the accelerated release of incremental obligated entry capacity) is defined in accordance with paragraph 3(f) of this condition;
- RCOR_t shall have the meaning given to that term in paragraph 3(d)(i) of Special Condition C8C (NTS System Operation Activity Revenue Restriction);
- RLOC_t shall have the meaning given to that term in paragraph 3(d)(i) of Special Condition C8C (NTS System Operation Activity Revenue Restriction); and
- RADD_t means any further revenues derived by the licensee in respect of formula year t that the Authority has directed to include in the formula for the entry capacity operational buy-back performance measure (EnCOBBIP_t).

Entry capacity constraint management costs

- c) For the purposes of paragraph 3(d) of this condition, the entry capacity constraint management costs incurred by the licensee in respect of formula year t (EnCBBC_t) shall be derived from the following formula:

$$EnCBBC_t = \sum_{d|y(d)=t} BBC_{d,t} + \sum_{d|y(d)=t} ECCC_{d,t}$$

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where:

$BBC_{d,t}$ means the costs incurred by the licensee in the curtailment of capacity rights to put gas into the transportation system (less any revenues received from DN operators in respect of the curtailment of capacity rights to put gas into their transportation system) in respect of day d of formula year t (including costs incurred in respect of any acquisitions from gas shippers of capacity rights); and

$ECCC_{d,t}$ means the costs incurred by the licensee in respect of any payments made by the licensee to gas shippers in exchange for agreeing to offtake gas from 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 entry capacity excluding those covered by $BBC_{d,t}$ including any locational buy actions.

d) The entry capacity constraint management costs incurred by the licensee in respect of formula year t ($EnCBBC_t$) shall be attributed between the following terms:

- i) the entry capacity operational buy-back cost term ($EnCOBBC_t$) in paragraph 3(a) of this condition;
- ii) the Milford Haven entry capacity specific incentive cost term ($EnCBBMHBBC_t$) in paragraph 4(a) of this condition; and
- iii) the entry capacity incremental buy-back cost term ($EnCIBBC_t$) in paragraph 5(a) of this condition;

such that:

$$EnCBBC_t = EnCOBBC_t + EnCBBMHBBC_t + EnCIBBC_t$$

e) In the process of attributing entry capacity constraint management costs ($EnCBBC_t$) in accordance with paragraph 3(d) of this condition, the licensee shall ensure that:

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- i) it attributes costs in accordance with the cost allocation rules set out in paragraph 3(n) of this condition; and
- ii) that while applying those cost allocation rules, it shall not attribute the same costs to more than one term for the purposes of paragraph 3(d).

Accelerated release of incremental obligated entry capacity

- f) The revenues from the accelerated release of incremental obligated entry capacity (EnCNOIR_{i,t}) shall be the revenues received by the licensee from the sale of non-obligated entry capacity at NTS Entry Point i for use on all days g of formula year t and shall be derived from the following formula:

$$\text{EnCNOIR}_{i,t} = \sum_{g/y(g) = t} \text{EnCNOIR}_{i,g}$$

where:

EnCNOIR_{i,g} means the revenues received by the licensee from the sale of non-obligated entry capacity at NTS Entry Point i for use on day g in circumstances where:

- i) day g is less than 6 months prior to the day on which the licensee’s obligation to contractually deliver incremental obligated entry capacity for use at NTS Entry Point i first arises as a result of the implementation of a proposal made under paragraph 9(f) of this condition;
- ii) the allocation of the capacity occurred on a day at least 18 months prior to the day on which the licensee’s obligation to contractually deliver incremental obligated entry capacity for use at NTS Entry Point i first arises as a result of the implementation of a proposal made under paragraph 9(f) of this condition;
- iii) the day on which the licensee’s obligation to contractually deliver incremental obligated entry capacity for use at NTS Entry Point i that arises as a result of the implementation of a proposal made under paragraph 9(f) of this condition has not been extended by the licensee beyond the default of timescale of 42 months; and

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- iv) the amount of non-obligated entry capacity released is, on day g, not greater than the difference between the level of incremental obligated entry capacity at NTS entry point i 6 months after day g and the level of incremental obligated entry capacity at point i on day g.

Incremental capacity delivery incentive payment

- g) The licensee may, with the consent of the Authority, vary the lead time for the contractual delivery of incremental obligated entry capacity at an individual NTS entry point from the default of 42 months from the 1st day of the month following the end of the Annual Invitation Period (as defined in the network code). Consent shall be deemed to have been granted if:
 - i) the licensee is proposing to reduce the lead time for the contractual delivery to a period of less than 42 months; or
 - ii) the volume of firm entry capacity being deferred (in units of GWh per day for each one month period) is, at day n, less than the licensee's "entry lead time deferment volume entitlement" $LTDVEn_n$ defined in paragraph 3(i) of this condition.
- h) The licensee shall notify the Authority in writing and in a timely manner of each instance where it varies the lead time for the contractual delivery of incremental obligated entry capacity from the default of 42 months specifying:
 - i) the NTS Entry Point affected;
 - ii) the volume of capacity (in units of GWh per day for each one month period) for which the contractual delivery date is being brought forward; or
 - iii) the volume of capacity (in units of GWh per day for each one month period) for which the contractual delivery date is being put back.
- i) The licensee's entry lead time deferment volume entitlement on day n ($LTDVEn_n$) (in units of GWh per day for each one month period) shall be calculated in accordance with the following formula:

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$$LTDVEn_n = 7200 + \sum_{v,n-1} DLTDVEn_v$$

where:

$DLTDVEn_v$ means the change in the lead time for contractual delivery (in units of GWh per day for each one month period) that arises from the variation event v as notified to the Authority pursuant to paragraph 3(h) of this condition. For the avoidance of doubt, where $v=0$ $DLTDVEn_0$ shall take the value zero; and

subscript v means the relevant variation event, where $v=1$ shall mean the first variation event notified to the Authority pursuant to paragraph 3(h) of this condition.

Review of entry capacity operational buy-back scheme

- j) The licensee may issue a notice to the Authority providing that the value of the $EnCOBBIR_t$ shall take a value of 0 (zero) in respect of any period or periods of time specified in said notice, provided the provisions of paragraphs 3(k) to 3(l) of this condition have been met.
- k) A notice provided by the licensee to the Authority under paragraph 3(j) shall:
 - i) be in writing addressed to the Authority;
 - ii) state the period or periods referred to in paragraph 3(j) of this condition to which it will apply;
 - iii) not be in respect of any period or periods commencing prior to 1st April 2009; and
 - iv) be submitted on a date after 31st December 2008.
- l) The licensee may withdraw the notice referred to in paragraph 3(j) of this condition at any time.

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- m) The notice shall have no effect if the Authority has made a reference to the Competition Commission under section 24 of the Act relating to the modification of paragraph 3 of this condition before the date of the first period on which such a notice would take effect.

Buy-back cost allocation rules

- n) For the purpose of attributing the entry capacity constraint management costs referred to in paragraph 3(d) of this condition the licensee shall apply the rules set out in its statement of entry capacity constraint management cost allocation rules prepared pursuant to paragraph 13 of this condition.

4. Milford Haven entry capacity specific incentive

- a) For the purposes of paragraph 1 of this condition means the maximum revenue entitlement allowed to the licensee in respect of the delivery of the Milford Haven pipe-line project in formula year t ($EnCBBMHSI_t$) shall be defined in accordance with:

$$EnCBBMHSI_t = EnCBBMHBBC_t - \sum_{\forall p} [MIN(EnCBBMHBSF \\ \square EnCBBMHBBC_p), EnCBBMHBCOL_p]$$

where:

$EnCBBMHBBC_t$ means an amount equal to the costs incurred by the licensee in respect of formula year t in respect of the entry capacity constraint management costs in respect of the funded incremental obligated entry capacity up to 650 GWh per day released for sale during the allocation held between September 2004 and December 2004 (inclusive) for use at the Milford Haven NTS Entry Point from 1 October 2007 to the extent that such costs have been incurred prior to such time as that capacity has been delivered to relevant shippers;

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- EnCBBMH_{HSF} is the Entry Capacity Buyback Milford Haven Specific incentive sharing factor and shall take the value 0.35;
- EnCBBMH_{BBC}_p means an amount equal to the costs incurred by the licensee in period p in respect of entry capacity constraint management costs in respect of the funded incremental obligated entry capacity up to 650 GWh per day released for sale during the allocation held between September 2004 and December 2004 (inclusive) for use at the Milford Haven NTS Entry Point from 1 October 2007 to the extent that such costs have been incurred prior to such time as that capacity has been delivered to relevant shippers; and
- EnCBBMH_{COL}_p is the Entry Capacity Buyback Milford Haven specific incentive Buyback Collar for period p and shall take the value set out in Table 4 below.

- b) For the purposes of paragraph 4(a) of this condition the days 1– 7 April 2008 shall be treated as occurring in the formula year commencing 1 April 2007.

Table 4

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

p	EnCBBMHBCOL_p (£)	Formula year
before 8 th December 2007	0	2007/08 or earlier
8 th December 2007 – 7 th January 2008	2,000,000	2007/08
8 th January 2008 – 7 th February 2008	2,000,000	2007/08
8 th February 2008 – 7 th March 2008	2,000,000	2007/08
8 th March 2008 – 7 th April 2008	6,000,000	2007/08
8 th April 2008 – 7 th May 2008	6,000,000	2008/09
8 th May 2008 – 7 th June 2008	6,000,000	2008/09
8 th June 2008 – 7 th July 2008	2,000,000	2008/09
8 th July 2008 – 7 th August 2008	2,000,000	2008/09
8 th August 2008 – 7 th September 2008	2,000,000	2008/09
8 th September 2008 – 7 th October 2008	2,000,000	2008/09
8 th October 2008 – 7 th November 2008	2,000,000	2008/09
8 th November 2008 – 7 th December 2008	2,000,000	2008/09
after 7 th December 2008	0	2008/09 or later

5. Entry capacity incremental buy-back costs and incentive revenues (EnCBBIIR_t)

- a) For the purposes of paragraph 1 of this condition, the maximum entry capacity incremental buyback incentive revenue in formula year t (EnCBBIIR_t) shall be derived as follows:

$$\text{EnCBBIIR}_t = \text{EnCIBBC}_t + \text{EnCIBBIR}_t$$

where:

EnCIBBC_t means an amount equal to the costs incurred by the licensee in respect of entry capacity constraint management in formula year t (or any part thereof) where those costs relate to funded incremental obligated entry capacity first released for sale by the licensee after 31 March 2007 until such time as that entry capacity has been delivered to relevant shippers;

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EnCIBBIR_t shall be derived in accordance with the following formula:

$$\text{EnCIBBIR}_t = - \text{MIN} [\text{EnCBBICE}_t, (\text{EnCACAP} \times \text{RPIF}_t)]$$

where:

EnCBBICE_t means the amount of EnCIBBIR_t that remains following the application of the monthly cap and shall be defined in accordance with paragraph 5(b) of this condition; and

EnCACAP means the annual exposure cap, which is the maximum value that EnCBBICE_t can take in a formula year without resulting in an increase to the licensee's entitlement to recover revenue in that formula year and shall take the value of £Xmillion (in 2009-10 prices).

Cap on Monthly Buyback Exposure

b) For the purposes of paragraph 5(a) of this condition, EnCBBICE_t shall be calculated from the following formula:

$$\text{EnCBBICE}_t = \sum_{m|y(m)=t} \text{MIN} (\text{EnCBBICM}_m, \text{EnCMCAP}_m)$$

where:

EnCBBICM_m means the costs incurred by the licensee in respect of entry capacity constraint management in month m (or any part thereof) of formula year t where those costs relate to funded incremental obligated entry capacity first released for sale by the licensee after 31 March 2007; and

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EnCMCAP_m means the monthly exposure cap, which is the maximum value that EnCBBIC_t can take in a month within a formula year without resulting in an increase to the licensee's entitlement to recover revenue in that formula year and shall take the value of £Xmillion (in 2009-10 prices) x RPIF_t.

Cap on incremental buyback price

- c) The licensee shall use reasonable endeavours to ensure that it does not pay more than 0.52p/kWh/day in respect of entry capacity constraint management costs in respect of funded incremental obligated entry capacity and for which the obligation to offer such capacity for sale commenced on or after 1 April 2007. This obligation shall apply until that funded incremental obligated entry capacity has been physically delivered.
- d) For the purposes of paragraph 5(c) of this condition, the licensee may submit a report to the Authority demonstrating how it considers that it has met its obligation set out in that paragraph. Where the Authority considers that the licensee has used reasonable endeavours to satisfy the obligation referred to in that paragraph, the Authority may direct in writing that the licensee has satisfied its obligation thereunder.

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PART B – Revenue calculations

6. Attributing revenues from the sale of entry capacity to TOR and SOR

- a) For the purposes of paragraph 2(a) of Special Condition C8C (NTS System Operation Activity Revenue Restriction) the amount of NTS SO revenue in respect of formula year t that results from the sale of entry capacity (SORCAP_t) shall be calculated from the following formula:

$$\text{SORCAP}_t = \text{ANIOEnCRD}_t + \text{AFIOEnCR}_t + \text{ANOEnCR}_t + \text{REVIC}_t$$

where:

ANIOEnCRD_t means the revenue derived by the licensee in respect of formula year t from on the day sales of non-incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(d) of this condition;

AFIOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of funded incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(b) of this condition;

ANOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of non-obligated entry capacity and shall be calculated in accordance with paragraph 8(c) of this condition; and

REVIC_t means the revenue derived by the licensee in respect of formula year t from sales of interruptible entry capacity.

- b) For the purposes of paragraph 2(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) the amount of NTS TO revenue in respect of formula year t that results from the sale of entry capacity (TOREVBEC_t) shall be calculated from the following formula:

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$$\text{TOREVBEC}_t = \text{ANIOEnCR}_t - \text{ANIOEnCRD}_t$$

where:

ANIOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of non-incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(a) of this condition; and

ANIOEnCRD_t means the revenue derived by the licensee in respect of formula year t from on the day sales of non-incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(d) of this condition.

7. Entry capacity and revenue allocations

- a) For the purposes of paragraph 7(b) of this condition, for each day that is w days in advance of day d, the licensee shall attribute the amount of firm entry capacity it has sold at NTS entry point i during the day that is w days in advance of day d in month m, for use at NTS entry point i on day d in month m, (EnCAPS_{i,d,m,w}) (measured in GWh per day) to the categories of sold firm entry capacity set out in sub-paragraphs (i), (ii) and (iii) of this paragraph, in the manner specified by the formulae of those sub-paragraphs.
- (i) non-incremental obligated entry capacity sold by the licensee during the day that is w days in advance of day d in month m, for use at NTS entry point i on day d in month m, (NIOEnCS_{i,d,m,w}) (measured in GWh per day) shall be calculated from the following formula:

$$\text{NIOEnCS}_{i,d,m,w} = \text{MIN} [\text{EnCAPS}_{i,d,m,w}, \text{MAX} [(\text{NIOEnC}_{i,d,m,w} - \text{NIOEnC}_{i,d,m,w+1}), \text{MAX} [(\text{NIOEnC}_{i,d,m,w} - \sum_{Q=w+1}^{FPJ_{i,d}^d} \text{NIOEnCS}_{i,d,m,Q}), 0]]]$$

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where:

EnCAPS_{i,d,m,w} shall have the meaning given to that term in paragraph 7(a) of this condition;

NIOEnC_{i,d,m,w} shall have the meaning given to that term in paragraph 9(c) of this condition;

- (ii) cumulative funded incremental obligated entry capacity sold by the licensee during the day that is w days in advance of day d in month m, for use at NTS entry point i on day d in month m, (CFIOEnCS_{i,d,m,w}) (measured in GWh per day) shall be calculated from the following formula:

$$\text{CFIOEnCS}_{i,d,m,w} = \text{MIN} [\text{EnCAPS}_{i,d,m,w} - \text{NIOEnCS}_{i,d,m,w}, (\text{CFIOEnC}_{i,d,m,w} - \sum_{Q=w+1}^{\text{FPJ}_m^d} \text{CFIOEnCS}_{i,d,m,Q})]$$

where:

EnCAPS_{i,d,m,w} shall have the meaning given to that term in paragraph 7(a) of this condition;

NIOEnCS_{i,d,m,w} shall have the meaning given to that term in paragraph 7(a)(i) of this condition; and

CFIOEnC_{i,d,m,w} shall have the meaning given to that term in paragraph 9(d) of this condition.

- (iii) non-obligated entry capacity sold by the licensee during the day that is w days in advance of day d in month m, for use at NTS entry point i on

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day d in month m, ($NOEnCS_{i,d,m,w}$) (measured in GWh per day) shall be calculated from the following formula

$$NOEnCS_{i,d,m,w} = (EnCAPS_{i,d,m,w} - NIOEnCS_{i,d,m,w} - CFIOEnCS_{i,d,m,w})$$

where:

- | | |
|----------------------|---|
| $EnCAPS_{i,d,m,w}$ | shall have the meaning given to that term in paragraph 7(a) of this condition; |
| $NIOEnCS_{i,d,m,w}$ | shall have the meaning given to that term in paragraph 7(a)(i) of this condition; and |
| $CFIOEnCS_{i,d,m,w}$ | shall have the meaning given to that term in paragraph 7(a)(ii) of this condition. |

For the avoidance of doubt, $NOEnCS_{i,d,m,w}$ shall include non-obligated entry capacity which has been sold in accordance with paragraph 3(f) of this condition (Accelerated release of incremental obligated entry capacity).

- b) For the purposes of paragraphs 6 and 8 of this condition, the licensee shall attribute the revenue derived from the amount of firm entry capacity it has sold at NTS entry point i during the day that is w days in advance of day d in month m, for use at NTS entry point i on day d in month m, ($EnCAPS_{i,d,m,w}$) (measured in GWh per day) to the categories of revenue set out in sub-paragraphs (i), (ii) and (iii) of this paragraph, in the manner specified in those sub-paragraphs and in sub-paragraph (iv):
- (i) the revenue derived by the licensee from sales of non-incremental obligated entry capacity at NTS entry point i during the day that is w days in advance of day d ($NIOEnCR_{i,d,m,w}$) shall be the revenue attributed in respect of $NIOEnCS_{i,d,m,w}$;

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- (ii) the revenue derived by the licensee from sales of cumulative funded incremental obligated entry capacity at NTS entry point i during the day that is w days in advance of day d ($CFIOEnCR_{i,d,m,w}$) shall be the revenue attributed in respect of $CFIOEnCS_{i,d,m,w}$; and
- (iii) the revenue derived by the licensee from sales of non-obligated entry capacity at NTS entry point i during the day that is w days in advance of day d ($NOEnCR_{i,d,m,w}$) shall be the revenue derived by the licensee from sales of firm entry capacity other than $CFIOEnCR_{i,d,m,w}$ and $NIOEnCR_{i,d,m,w}$.
- (iv) In attributing the revenue, it is assumed that firm entry capacity allocated on day d of month m was allocated to gas shippers in descending order of price accepted to be paid in respect of each allocation of firm entry capacity in chronological order throughout day d of month m starting with the highest paid in the amount applied for, allocating first up to the total volume of $NIOEnCS_{i,d,m,w}$ then up to the total volume of $CFIOEnCS_{i,d,m,w}$ then up to the total volume of $NOEnCS_{i,d,m,w}$

where:

- $NIOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(i) of this condition;
- $CFIOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(ii) of this condition; and
- $NOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(iii) of this condition.

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8. Annual Revenues from entry capacity sales

(a) For the purposes of paragraph 6(b) of this condition the revenue derived by the licensee in respect of formula year t from sales of non-incremental obligated entry capacity (ANIOEnCR_t) shall be calculated from the following formula:

$$\text{ANIOEnCR}_t = \sum_{\forall i} \sum_{d|y(d)=t} \sum_{w=0}^{FPJ_m^d} \text{NIOEnCR}_{i,d,m,w}$$

where:

NIOEnCR_{i,d,m,w} shall have the meaning given to that term in paragraph 7(b)(i) of this condition.

(b) For the purposes of paragraph 6(a) of this condition the revenue derived by the licensee in respect of formula year t from the sales of funded incremental obligated entry capacity (AFIOEnCR_t) shall be calculated from the following formula:

$$\text{AFIOEnCR}_t = \sum_{\forall i} \sum_{d|y(d)=t} \sum_{w=0}^{FPJ_m^d} \text{CFIOEnCR}_{i,d,m,w}$$

where:

CFIOEnCR_{i,d,m,w} shall have the meaning given to that term in paragraph 7(b)(ii) of this condition.

(c) For the purposes of paragraphs 3(b) and 6(a) of this condition the revenue derived by the licensee in respect of formula year t from sales of non-obligated entry capacity (ANOEnCR_t) shall be calculated from the following formula:

$$\text{ANOEnCR}_t = \sum_{\forall i} \sum_{d|y(d)=t} \sum_{w=0}^{FPJ_m^d} \text{NOEnCR}_{i,d,m,w}$$

where:

NOEnCR_{i,d,m,w} shall have the meaning given to that term in paragraph 7(b)(iii) of this condition.

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d) For the purposes of paragraphs 6(a) and 8(f) of this condition the revenue derived by the licensee in respect of formula year t from on the day sales of non-incremental obligated entry capacity (ANIOEnCRD_t) shall be calculated from the following formula:

$$\text{ANIOEnCRD}_t = \sum_{\forall i} \sum_{d/y(d)=t} \text{NIOEnCR}_{i,d,m,0}$$

where:

NIOEnCR_{i,d,m,0} shall have the meaning given to the term NIOEnCR_{i,d,m,w} in paragraph 7(b)(i) of this condition where w=0.

e) For the purposes of paragraph 8(f) of this condition the revenue derived by the licensee in respect of formula year t from on the day sales of funded incremental obligated entry capacity (AFIOEnCRD_t) shall be calculated from the following formula:

$$\text{AFIOEnCRD}_t = \sum_{\forall i} \sum_{d/y(d)=t} \text{CFIOEnCR}_{i,d,m,0}$$

where:

CFIOEnCR_{i,d,m,0} shall have the meaning given to that term CFIOEnCR_{i,d,m,w} in paragraph 7(b)(ii) of this condition where w=0.

f) For the purposes of paragraph 3(b) of this condition the revenue derived by the licensee in respect of formula year t from on the day sales of obligated entry capacity (AOEnCRD_t) shall be calculated from the following formula:

$$\text{AOEnCRD}_t = \text{ANIOEnCRD}_t + \text{AFIOEnCRD}_t$$

where:

ANIOEnCRD_t shall be calculated in accordance with paragraph 8(d) of this condition;
and

AFIOEnCRD_t shall be calculated in accordance with paragraph 8(e) of this condition.

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PART C – Capacity release obligations

9. Obligations to release entry capacity

- a) The licensee shall offer for sale, during the day that is w days in advance of day d in month m , a volume of unsold obligated entry capacity (measured in GWh per day) ($UOEnC_{i,d,m,w}$) for use at NTS entry point i on day d in month m , which shall be calculated as follows:

$$UOEnC_{i,d,m,w} = \text{MAX}[(NIOEnC_{i,d,m,w} + CFIOEnC_{i,d,m,w} - SOEnC_{i,d,m,w}), 0]$$

where:

$NIOEnC_{i,d,m,w}$ means the volume of non-incremental obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , which shall be calculated in accordance with paragraph 9(c) of this condition;

$CFIOEnC_{i,d,m,w}$ means the volume of cumulative funded incremental obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , which shall be calculated in accordance with paragraph 9(d) of this condition; and

$SOEnC_{i,d,m,w}$ means that volume of obligated entry capacity (measured in GWh per day) which has been sold or is deemed to have been sold by the licensee at NTS entry point i for use on day d in month m , during all days up to but excluding the day that is w days in advance of day d in month m , except that $SOEnC_{i,d,m,w}$ shall not include that volume of

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obligated entry capacity which had been sold previously for use on day d in month m to a relevant shipper who has been terminated in accordance with the network code.

- b) For the purposes of term $SOEnC_{i,d,m,w}$ in paragraph 9(a) of this condition, obligated entry capacity will:
- (i) be deemed to have been sold by the licensee at NTS entry point i where the licensee has enacted an entry capacity transfer from that NTS entry point i to another NTS entry point in accordance with paragraph 11(c) of this condition; and
 - (ii) continue to be treated as sold by the licensee at NTS entry point i where the licensee has enacted an entry capacity trade from that NTS entry point i to another NTS entry point in accordance with paragraph 12(c) of this condition.
- c) For the purposes of paragraph 9(a) of this condition the volume of non-incremental obligated entry capacity ($NIOEnC_{i,d,m,w}$) shall be calculated as follows:

$$NIOEnC_{i,d,m,w} = NIOEnC_{i,m,h} \quad \text{for all days } d \text{ in month } m$$

where:

$NIOEnC_{i,m,h}$ is the volume of non-incremental obligated entry capacity at NTS entry point i that the licensee shall offer for sale on the day that is h days in advance of the first day of month m in which day d occurs (where the day that is h days in advance of the first day of month m in which day d occurs is the same day as the day that is w days in advance of day d in month m) and shall be calculated in accordance with paragraphs 9(c)(i) to 9(c)(iv):

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i) where the day that is h days in advance of the first day of month m occurs before 1 April 2007, $NIOEnC_{i,m,h}$ shall:

(aa) if $h \geq 548$ days, be calculated as follows:

$$NIOEnC_{i,m,h} = 0.8 \times PREVIBEnC_i$$

(bb) if $h < 548$ days, be calculated as follows:

$$NIOEnC_{i,m,h} = PREVIBEnC_i$$

where for the purposes of sub-paragraphs (aa) and (bb):

Table 6: $PREVIBEnC_i$ means the volume of baseline obligated entry capacity which the licensee was required to offer for sale prior to 1 April 2007 (measured in GWh per day) for use at NTS Entry Point i as given within Table 6 below:

NTS Entry Point i	PREVIBEnC _i (in GWh/day)
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Bacton	1,745
Barrow	712
Easington	1,062
St. Fergus	1,677
Teesside	761
Theddlethorpe	848
Glenmavis	99
Partington	215
Avonmouth	149
Isle of Grain	218
Dynevor Arms	50
Hornsea	175
Hatfield Moor (storage)	54
Hatfield Moor (onshore)	1
Cheshire	214
Hole House Farm	26
Wytch Farm	3.2
Burton Point	55
Milford Haven	0
Barton Stacey	0
Garton	0
Burton Agnes (Caythorpe)	0
Winkfield	0
Blyborough (Welton)	0
Tatsfield	0
Albury	0
Palmers Wood	0
Fleetwood	0

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ii) where the day that is h days in advance of the first day of month m occurs on or after 1 April 2007 and before 1 July 2008, $NIOEnC_{i,m,h}$ shall:

(aa) if $h \geq 548$ days, be calculated as follows:

$$NIOEnC_{i,m,h} = 0.9 \times IBC_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} EnCST_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} EnCSA_{i,(m-p),W}$$

(bb) if $h < 548$ days, be calculated as follows:

$$NIOEnC_{i,m,h} = IBC_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} EnCST_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} EnCSA_{i,(m-p),W}$$

where, for the purposes of sub-paragraphs (aa) and (bb):

$IBC_{i,m,h}$ means the volume of baseline obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is h days in advance of the first day of month m, for use at NTS entry point i on each day of month m, as specified in Table 7 below (where, for the avoidance of doubt, $IBC_{i,m,h}$ shall take the same value specified in Table 7 for all months $m \geq 61$ and for all days that are h days in advance of the first day of month $m \geq 61$ that occur on or after 1 April 2007 and before 1 July 2008);

$EnCST_{i,(m-p),W}$ means the volume of non-incremental obligated entry capacity substituted to NTS entry point i (in units of GWh per day), for use from the first day of the first month (m-p), for which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the first month (m-p), as shall be implemented in accordance with an approved

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application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such non-incremental obligated entry capacity substituted to NTS entry point i shall have a non-zero value only for the first month (m-p) and the day that is W days in advance of the first day of the first month (m-p); and

EnCSA_{i,(m-p),W} means the volume of non-incremental obligated entry capacity substituted away from NTS entry point i (in units of GWh per day), for use from the first day of the first month (m-p), for which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the first month (m-p), as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such non-incremental obligated entry capacity substituted away from NTS entry point i shall have a non-zero value only for the first month (m-p) and the day that is W days in advance of the first day of the first month (m-p).

iii) where the day that is h days in advance of the first day of month m occurs on or after 1 July 2008 and before 1 April 2013, NIOEnC_{i,m,h} shall:

(aa) if $h \geq 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = 0.9 \times \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W}$$

(bb) if $h < 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W}$$

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where, for the purposes of sub-paragraphs (aa) and (bb):

- RIBEnC_{i,m,h}** means the volume of baseline obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is h days in advance of the first day of month m, for use at NTS entry point i on each day of month m, as specified in Table 7 below (where, for the avoidance of doubt, RIBEnC_{i,m,h} shall take the same value specified in Table 7 for all months $m \geq 61$ and for all days that are h days in advance of the first day of month $m \geq 61$ that occur on or after 1 July 2008);
- EnCST_{i,(m-p),W}** shall have the same meaning as given in paragraph 9(c)(ii) of this condition;
- EnCSA_{i,(m-p),W}** shall have the same meaning as given in paragraph 9(c)(ii) of this condition; and

iv) where the day as at h days in advance of the first day of month m is on or after 1 April 2013, then:

(aa) if $h \geq 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = 0.9 \times \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W} + \sum_{p=60}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{FIOEnC}_{i,(m-p),W}$$

(bb) if $h < 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W} + \sum_{p=60}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{FIOEnC}_{i,(m-p),W}$$

where:

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RIBEnC _{i,m,h}	shall have the same meaning as given in paragraph 9(c)(iii) of this condition;
EnCST _{i,(m-p),W}	shall have the same meaning as given in paragraph 9(c)(ii) of this condition;
EnCSA _{i,(m-p),W}	shall have the same meaning as given in paragraph 9(c)(ii) of this condition; and
FIOEnC _{i,(m-p),W}	means the volume of funded incremental obligated entry capacity at NTS entry point i (in units of GWh per day), for use from the first day of the first month (m-p), for which the obligation to offer such capacity for sale (being a date on or after 1 April 2007) commenced as at W days in advance of the first day of the first month (m-p), as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such funded incremental obligated entry capacity shall be treated as non-incremental obligated entry capacity from the period commencing on the first day of month (m-p+60) and shall have a non-zero value only for the first month (m-p) and the day that is W days in advance of the first day of the first month (m-p).

Table 7

Comment [NDR21]: Table to be revised to reflect changes to Barton Stacey and Garton.

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NTS Entry Point i	For paragraph 9 (c) (ii)	For paragraph 9 (c) (iii)
	IBEnC _{i,m,h} (in GWh/day)	RIBEnC _{i,m,h} (in GWh/day)
Bacton	1,783.4	1,783.4
Barrow	309.1	309.1
Easington	1,062.0	1,062.0
St. Fergus	1,670.7	1,670.7
Teesside	361.3	476.0
Theddlethorpe	610.7	610.7
Glenmavis	28.5	99.0
Partington	174.6	215.0
Avonmouth	179.3	179.3
Isle of Grain	175.0	218.0
Dynevor Arms	8.0	49.0
Hornsea	164.1	175.0
Hatfield Moor (storage)	14.9	25.0
Hatfield Moor (onshore)	0.3	0.3
Cheshire	285.9	285.9
Hole House Farm	131.6	131.6
Wytch Farm	3.3	3.3
Burton Point	73.5	73.5
Milford Haven	0	0
Barton Stacey	82.6	82.6
Garton	0	0
Burton Agnes (Caythorpe)	0	0
Winkfield	0	0
Blyborough (Welton)	0	0
Tatsfield	0	0
Albury	0	0
Palmers Wood	0	0
Fleetwood	0	0
Portland	0	0
Canonbie	0	0
Moffat	0	0

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- d) For the purposes of paragraph 9(a) of this condition, the volume of cumulative funded incremental obligated entry capacity (CFIOEnC_{i,d,m,w}) shall be calculated as follows:

$$\text{CFIOEnC}_{i,d,m,w} = \text{CFIOEnC}_{i,m,h} \quad \text{for all days } d \text{ in month } m$$

where:

CFIOEnC_{i,m,h} means the cumulative volume of funded incremental obligated entry capacity at NTS entry point i that the licensee shall offer for sale, during the day that is h days in advance of the first day of month m in which day d occurs (where the day that is h days in advance of the first day of month m in which day d occurs is the same day as the day that is w days in advance of day d in month m), for use at NTS entry point i for all days d in month m and shall be calculated as follows:

$$\text{CFIOEnC}_{i,m,h} = \text{PREVCFIOEnC}_{i,m,h} + \text{NEWCFIOEnC}_{i,m,h}$$

where:

$$\text{PREVCFIOEnC}_{i,m,h} = \sum_{p=0}^{m-1} \sum_{W=h}^{D_{m-p}^I} \text{PREVFIOEnC}_{i,(m-p),W}$$

where:

PREVFIOEnC_{i,(m-p),W} means the volume of funded incremental obligated entry capacity (in units of GWh per day), for use at NTS entry point i from the first day of the first month (m-p), for which the obligation to offer such capacity for sale (being a date before 1 April 2007) commenced as at W days in advance of the first day of the first month (m-p), as specified in the Table 8 below. For the

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avoidance of doubt, such funded incremental obligated entry capacity shall have a non-zero value only for the first month (m-p) and the day that is W days in advance of the first day of the first month (m-p):

Table 8:

NTS entry point i	Obligation to offer for sale commenced following the annual invitation period in	First month of use at NTS entry point i (m-p)	First month of use at NTS entry point i (m-p)	PREVFIOEnC _{i,(m-p),W} (GWh/d)
Barton Stacey	Sep-04	Apr-06	49	90
Garton	Feb-04	Oct-06	55	420
Milford Haven	Dec-04	Oct-07	67	650
Milford Haven	Dec-04	Jan-09	82	300
Isle of Grain	Nov-05	Oct-08	79	235.4
Easington	Sep-06	Oct-09	91	345
Hornsea	Sep-06	Jan-10	94	58.1
Fleetwood	Sep-06	Oct-10	103	650
Cheshire	Sep-06	Oct-10	103	64.2
Cheshire	Sep-06	Jan-12	118	192.6

Comment [NDR22]: Barton Stacey and Garton to be removed from the table

$$NEWCFIOEnC_{i,m,h} = \sum_{p=0}^{59} \sum_{W=h}^{FP2_{m-p}^i} FIOEnC_{i,(m-p),W}$$

where:

FIOEnC_{i,(m-p),W} shall have the meaning given to that term in paragraph 9(c)(iv) of this condition.

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Obligation to offer capacity for sale in a clearing allocation

- e) The licensee shall:
- i) unless otherwise directed by the Authority in writing, use all reasonable endeavours to offer for sale all obligated entry capacity at each NTS entry point i in at least one clearing allocation. For the avoidance of doubt, where a clearing allocation would contravene the provisions of paragraph 4(b) of Standard Special Condition A4 (Charging - General) the licensee shall offer for sale such capacity in accordance with provisions of Standard Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology); and
 - ii) in respect of any NTS entry point i, use reasonable endeavours to offer for sale to gas shippers obligated entry capacity, which at the commencement of the day d to which it relates is unsold, such that at the end of day d in month m such obligated entry capacity has been sold, except where, and to the extent that, the Authority has otherwise consented in writing. For the avoidance of doubt, where a clearing allocation would contravene the provisions of paragraph 4(b) of Standard Special Condition A4 (Charging - General) the licensee shall offer for sale such capacity in accordance with provisions of Standard Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology).

Determination of incremental obligated entry capacity

- f) Where the licensee reasonably believes that there is or will be demand for additional firm entry capacity as a result of calculations carried out by the licensee in accordance with its incremental entry capacity release methodology, established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes) in force at that time, it shall make a written application to the Authority setting out its proposals, in respect of each NTS entry point i, for that additional firm entry capacity to be treated as incremental obligated entry capacity (the “incremental obligated entry capacity proposal”).
- g) Where the licensee makes an application pursuant to paragraph 9(f) of this condition it shall in that application set out as part of its incremental obligated entry capacity

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proposal for that additional firm entry capacity to be treated for the purposes of this condition as either:

- i) funded incremental obligated entry capacity ($FIOEnC_{i,(m-p),W}$) for the purposes of paragraphs 2(b), 9(c)(iv) and 9(d) of this condition; or
 - ii) non-incremental obligated entry capacity provided by entry capacity substitution ($EnCST_{i,(m-p),W}$), in accordance with its obligations set out in paragraph 10 of this condition, for the purposes of paragraphs 9(c)(ii), 9(c)(iii) and 9(c)(iv) of this condition.
- h) The written application to the Authority made pursuant to paragraph 9(f) of this condition shall include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal in accordance with paragraph 9(k) of this condition, the following:
- i) how the incremental entry capacity release methodology has been applied by the licensee for the purpose of determining the amount of additional firm entry capacity that it proposes to treat as incremental obligated entry capacity, including the provision of all relevant input data;
 - ii) the results of applying the incremental entry capacity release methodology and the rationale for why the licensee considers that its proposal or proposals are justified;
 - iii) the NTS entry point to which the application relates;
 - iv) the volume of incremental obligated entry capacity that the licensee proposes to treat as:
 - (aa) funded incremental obligated entry capacity ($FIOEnC_{i,(m-p),W}$) for the purposes of paragraphs 2(b), 9(c)(iv) and 9(d) of this condition; and
 - (bb) non-incremental obligated entry capacity substituted to that NTS entry point to which the application relates ($EnCST_{i,(m-p),W}$), in accordance with the entry capacity substitution methodology set out in paragraph 10(a) of

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this condition, for the purposes of paragraphs 9(c)(ii), 9(c)(iii), and 9(c)(iv) of this condition.

- v) the volumes of unsold non-incremental obligated entry capacity that has been substituted from one or more other NTS entry points j , in accordance with the entry capacity substitution methodology set out in paragraph 10(a) of this condition, that the licensee proposes to treat as non-incremental obligated entry capacity substituted away from NTS entry points j ($EnCSA_{j,(m-p),w}$) for the purposes of providing the volume of non-incremental obligated entry capacity ($EnCST_{i,(m-p),w}$) referred to in paragraph 9(h)(iv)(bb) of this condition.
- vi) the first month in which the additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would be used at NTS entry point i or in which the additional firm entry capacity referred to in paragraph 9(h)(v) of this condition would cease to be used at NTS entry points j (for the avoidance of doubt, the capacity will be deemed to be used from the first day of this month);
- vii) the date on which the licensee's obligations to offer for sale that volume of additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would commence and the date on which the licensee's obligations to offer for sale that volume of non-incremental obligated entry capacity substituted away at those NTS entry points j referred to in paragraph 9(h)(v) of this condition would cease.
- i) The licensee shall keep a record of each application made pursuant to paragraph 9(f) of this condition.
- j) The licensee shall provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering the application made by the licensee.
- k) The licensee shall implement the proposal as set out within the written application made pursuant to paragraph 9(f) of this condition or as modified in accordance with paragraph 9(l)(ii) of this condition, unless:

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- i) the Authority has, within 7 days from the receipt by the Authority of the written application, notified the licensee in writing, on or before that date, to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 9(f) of this condition requires further consideration to evaluate whether the proposal, and the supporting information, is consistent with the licensee's incremental entry capacity release methodology (established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes)), the licensee's entry capacity substitution methodology (established pursuant to paragraph 10 of this condition), and the licensee's duties under the Act and the standard, Standard Special and Special Conditions; and
 - ii) the Authority has, within 28 days from the receipt by the Authority of the written application, directed the licensee, on or before that date, not to implement that proposal.
- (l) Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 9(k)(i) of this condition,

i) the Authority may direct the licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in accordance with the application made pursuant to paragraph 9(f) of this condition; or

ii) the Authority may direct the licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:

(aa) the volume of incremental obligated entry capacity that the licensee proposes to treat as non-incremental obligated entry capacity substituted to NTS entry point i and funded incremental obligated entry capacity; and

(bb) the first month in which the additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would be used at NTS entry point i or in which the additional firm entry capacity referred to in paragraph 9(h)(v) of this condition would cease to be used at NTS entry points j .

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- (m) The licensee may withdraw a proposal made pursuant to paragraph 9(f) of this condition within 7 days from receipt by the Authority of the application.
- (n) Where the Authority has notified the licensee under paragraph 9(k)(i) of this condition to suspend implementation of the proposal made pursuant to paragraph 9(f) of this condition, the licensee may withdraw such a proposal within 28 days from receipt by the Authority of the application unless the Authority has otherwise directed the licensee to implement the proposal in accordance with paragraph 9(l) of this condition.
- (o) Where the Authority has made a direction that the licensee should not implement the proposal under paragraph 9(k)(ii) of this condition the licensee shall remain entitled to make available firm entry capacity additional to the prevailing level of obligated entry capacity at the time the proposal is made and any such additional firm entry capacity sold by the licensee shall be treated as non obligated entry capacity for the purposes of this condition.
- (p) The licensee shall publish the effect of implementing each proposal on the cumulative volume of funded incremental obligated entry capacity and non-incremental obligated entry capacity for each NTS entry point i for each month m (as at h days in advance of the first day of month m) in a form and manner approved by the Authority. The licensee shall use reasonable endeavours to ensure that the information published pursuant to this paragraph is accurate and up-to-date.

10. Entry capacity substitution obligation

- (a) The licensee shall:
 - i) by no later than 7 days after the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing:
 - (aa) prepare an entry capacity substitution methodology, in such manner that is necessary to facilitate the achievement of the entry capacity substitution objectives (as set out in paragraph 10(c) of this condition), which the

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licensee shall apply for the purposes of fulfilling its obligations in respect of entry capacity substitution; and

- (bb) submit to the Authority for its approval a statement setting out the methodology prepared in accordance with paragraph 10(a)(i)(aa) of this condition (“the entry capacity substitution methodology statement”);
 - ii) use reasonable endeavours to have in force, by no later than 14 days after the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing, an approved entry capacity substitution methodology statement.
- (b) The licensee shall, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to substitute entry capacity in accordance with the approved entry capacity substitution methodology statement prepared pursuant to paragraph 10(a) of this condition, as may be modified from time to time in accordance with paragraph 10(e) of this condition.
- (c) For the purposes of paragraph 10(a)(i)(aa) of this condition, the licensee shall use reasonable endeavours to ensure that the entry capacity substitution methodology facilitates the achievement of the following objectives (the “entry capacity substitution objectives”):
- (i) ensuring that entry capacity substitution is effected in a manner consistent with the licensee's duties under the Act and the standard, Standard Special and Special Conditions, in particular the duty to develop and maintain an efficient and economical pipeline system;
 - (ii) in so far as is consistent with (i) above, ensuring that entry capacity substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with funded incremental obligated entry capacity, taking into account the entry capacity that shippers have indicated they will require in the future through financial commitment to the licensee;

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- (iii) ensuring that entry capacity substitution is effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
 - (iv) in so far as is consistent with (i) above, avoiding material increases in the costs (including entry capacity constraint management costs in respect of obligated entry capacity previously allocated by the licensee to relevant shippers) that are reasonably expected to be incurred by the licensee as a result of substituting entry capacity; and
 - (v) in so far as is consistent with (i), (ii), (iii), and (iv) above, facilitating effective competition between relevant shippers and relevant suppliers.
- (d) For the purposes of paragraph 10(a)(ii), the entry capacity substitution methodology statement shall be deemed approved from the earlier of:
- i) the date of receipt of a notice by the licensee from the Authority approving the entry capacity substitution methodology statement; or
 - ii) the date being two months (or three months if the Authority intends to undertake an impact assessment the intention of which the Authority shall notify the licensee in writing within a reasonable time) after the entry capacity substitution methodology statement was submitted to the Authority,
- unless the Authority otherwise directs the licensee (such direction to be made within two months (or three months if the Authority intends to undertake an impact assessment) of the receipt by the Authority of the entry capacity substitution methodology statement) that the entry capacity substitution methodology statement has not been approved.
- (e) The licensee shall, if so directed by the Authority, and in any event at least once a year, review the entry capacity substitution methodology set out in the entry capacity substitution methodology statement in force, in consultation with relevant shippers and interested parties and seek to make such modifications to the entry capacity substitution methodology as it considers reasonably necessary to better meet the entry capacity substitution objectives set out in paragraph 10(c) of this condition.

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- (f) Except where the Authority otherwise directs in writing, before submitting the entry capacity substitution methodology statement pursuant to paragraph 10(a) of this condition or before modifying that statement, the licensee shall:
- (i) when modifying its entry capacity substitution methodology statement, send a copy of the proposed modifications to the Authority and to any person who asks for one;
 - (ii) consult relevant shippers and interested parties and allow them a period of not less than 28 days, which for the avoidance of doubt may commence before the date on which the Authority issues a decision giving effect to this licence condition, in which to make representations;
 - (iii) within 14 days of the close of the consultation referred to in paragraph 10(f)(ii) of this condition submit to the Authority a report setting out:
 - a. the modifications originally proposed (if any);
 - b. the representations made by relevant shippers or interested parties (if any) to the licensee and not withdrawn; and
 - c. any changes to the modifications proposed as a result of such representations;
 - (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) of this paragraph or any of them shall not apply, comply with such other reasonable requirements as are specified in that direction.
- (g) The licensee shall be entitled to modify its entry capacity substitution methodology statement at any time pursuant to paragraph 10(e) of this condition, save that it shall not modify such statement:
- (i) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 10(f)(iii) of this condition) from the date on which the Authority receives the

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report referred to in paragraph 10(f)(iii) of this condition the Authority directs the licensee not to make the modification; or

- (ii) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 10(f)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 10(f)(iii) of this condition; or
- (iii) where paragraph 10(f)(iv) in this condition applies, before the day specified in any direction made pursuant to that paragraph.

- (h) The licensee shall make the entry capacity substitution methodology statement from time to time applicable to the pipeline system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).

11. Entry Capacity Transfer Obligations

- (a) The licensee shall:
 - i) by the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing:
 - (aa) prepare an entry capacity transfer methodology, in such manner that is necessary to facilitate the achievement of the entry capacity transfer objectives (as set out in paragraph 11(d) of this condition), which it shall apply for the purposes of facilitating entry capacity transfer, including the calculation of entry capacity transfer rates; and
 - (bb) submit to the Authority for its approval a statement setting out the methodology prepared in accordance with paragraph 11(a)(i)(aa) of this condition (“the entry capacity transfer methodology statement”);
 - ii) use reasonable endeavours to have in force, by no later than 3 days after the date on which the Authority issues a decision giving effect to this licence condition, or

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such later date as the Authority may otherwise direct in writing, an approved entry capacity transfer methodology statement.

- (b) The licensee shall use reasonable endeavours, unless and insofar as the Authority may otherwise direct from time to time in writing, to meet any requests from a relevant shipper for an entry capacity transfer rate or rates calculated in accordance with the approved methodology statement prepared pursuant to paragraph 11(a) of this condition, as may be modified from time to time in accordance with paragraph 11(f) of this condition, and shall use reasonable endeavours to respond to any queries raised by that relevant shipper in respect of the calculation of the entry capacity transfer rate in a timely manner.
- (c) Where the licensee has provided an entry capacity transfer rate or rates pursuant to paragraph 11(b) of this condition and the relevant shipper requests that the licensee enacts an entry capacity transfer then the licensee shall effect that entry capacity transfer.
- (d) For the purposes of paragraph 11(a)(i)(aa) of this condition, the licensee shall use reasonable endeavours to ensure that the entry capacity transfer methodology facilitates the achievement of the following objectives (the “entry capacity transfer objectives”):
 - (i) ensuring that entry capacity transfer is effected in a manner which makes effective use of the pipeline system to which this licence relates;
 - (ii) ensuring that entry capacity transfer is effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
 - (iii) avoiding material increases in the costs (including entry capacity constraint management costs in respect of obligated entry capacity previously allocated by the licensee to relevant shippers) that are reasonably expected to be incurred by the licensee as a result of facilitating entry capacity transfer; and
 - (iv) in so far as is consistent with (i), (ii) and (iii) above, facilitating effective competition between relevant shippers and between relevant suppliers.

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- (e) For the purposes of paragraph 11(a)(ii), the entry capacity transfer methodology statement shall be deemed approved from the earlier of:
- i) the date of receipt of a notice by the licensee from the Authority approving the entry capacity transfer methodology statement; or
 - ii) the date being two months after the entry capacity transfer methodology statement was submitted to the Authority,

unless the Authority otherwise directs the licensee (such direction to be made within two months of the receipt by the Authority of the entry capacity transfer methodology statement) that the entry capacity transfer methodology statement has not been approved.

- (f) The licensee shall, if so directed by the Authority, and in any event at least once a year, review the entry capacity transfer methodology set out in the entry capacity transfer methodology statement in force, in consultation with relevant shippers and interested parties and seek to make such modifications to the entry capacity transfer methodology as it considers reasonably necessary to better meet the entry capacity transfer objectives set out in paragraph 11(d) of this condition.
- (g) Except where the Authority directs otherwise, before submitting the entry capacity transfer methodology statement pursuant to paragraph 11(a) of this condition or before modifying that statement, the licensee shall:
- (i) when modifying its entry capacity transfer methodology statement, send a copy of the proposed modifications to the Authority and to any person who asks for one;
 - (ii) consult relevant shippers and interested parties and allow them a period of not less than 28 days, which for the avoidance of doubt may commence before the date on which the Authority issues a decision giving effect to this licence condition, in which to make representations;
 - (iii) within 14 days of the close of the consultation referred to in paragraph 11(g)(ii) of this condition submit to the Authority a report setting out:

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- (aa) the modifications originally proposed (if any);
 - (bb) the representations made by relevant shippers or interested parties (if any) to the licensee and not withdrawn; and
 - (cc) any changes to the modifications proposed as a result of such representations;
- (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) of this paragraph or any of them shall not apply, comply with such other reasonable requirements as are specified in that direction.
- (h) The licensee shall be entitled to modify its entry capacity transfer methodology statement at any time pursuant to paragraph 11(f) of this condition, save that it shall not modify such statement:
- (i) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 11(g)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 11(g)(iii) of this condition the Authority directs the licensee not to make the modification; or
 - (ii) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 11(g)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 11(g)(iii) of this condition; or
 - (iii) where paragraph 11(g)(iv) in this condition applies, before the day specified in any direction made pursuant to that paragraph.
- (i) The licensee shall, by 31 May 2008 and 31 May in each subsequent formula year, provide the Authority with a report on the application and implementation of the entry capacity transfer methodology during the previous formula year setting out the extent

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to which, in the licensee's opinion, the entry capacity transfer objectives were achieved during that previous formula year.

- (j) The licensee shall make its entry capacity transfer methodology statement from time to time applicable to the pipe-line system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).

12. Entry Capacity Trade Obligations

- (a) The licensee shall:
 - i) by the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing:
 - (aa) prepare an entry capacity trade methodology, in such manner that is necessary to facilitate the achievement of the entry capacity trade objectives (as set out in paragraph 12(d) of this condition), which it shall apply for the purposes of facilitating entry capacity trade, including the calculation of entry capacity trade rates; and
 - (bb) submit to the Authority for its approval a statement setting out the methodology prepared in accordance with paragraph 12(a)(i)(aa) of this condition (“the entry capacity trade methodology statement”);
 - ii) use reasonable endeavours to have in force, by no later than 3 days after the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing, an approved entry capacity trade methodology statement.
- (b) The licensee shall, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to meet any requests from a relevant shipper for an entry capacity trade rate or rates calculated in accordance with the approved methodology statement prepared pursuant to paragraph 12(a) of this condition, as may be modified from time to time in accordance with paragraph 12(f) of this condition, and shall use reasonable endeavours to respond to any queries raised

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by that relevant shipper in respect of the calculation of the entry capacity trade rate in a timely manner.

- (c) Where the licensee has provided an entry capacity trade rate or rates pursuant to paragraph 12(b) of this condition and the relevant shipper requests that the licensee enacts an entry capacity trade then the licensee shall effect that entry capacity trade.
- (d) For the purposes of paragraph 12(a)(i)(aa) of this condition, the licensee shall use reasonable endeavours to ensure that the entry capacity trade methodology facilitates the achievement of the following objectives (the “entry capacity trade objectives”):
 - (i) ensuring that entry capacity trade is effected in a manner which makes effective use of the pipeline system to which this licence relates;
 - (ii) ensuring that entry capacity trade is effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
 - (iii) avoiding material increases in the costs (including entry capacity constraint management costs in respect of obligated entry capacity previously allocated by the licensee to relevant shippers) that are reasonably expected to be incurred by the licensee as a result of facilitating entry capacity trade; and
 - (iv) in so far as is consistent with (i), (ii) and (iii) above, facilitating effective competition between relevant shippers and between relevant suppliers.
- (e) For the purposes of paragraph 12(a)(ii), the entry capacity trade methodology statement shall be deemed approved from the earlier of:
 - i) the date of receipt of a notice by the licensee from the Authority approving the entry capacity trade methodology statement; or
 - ii) the date being two months after the entry capacity trade methodology statement was submitted to the Authority,

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unless the Authority otherwise directs the licensee (such direction to be made within two months of the receipt by the Authority of the entry capacity trade methodology statement) that the entry capacity trade methodology statement has not been approved.

- (f) The licensee shall, if so directed by the Authority, and in any event at least once a year, review the entry capacity trade methodology set out in the entry capacity trade methodology statement in force, in consultation with relevant shippers and interested parties and seek to make such modifications to the entry capacity trade methodology as it considers reasonably necessary to better meet the entry capacity trade objectives set out in paragraph 12(d) of this condition.
- (g) Except where the Authority directs otherwise, before submitting the entry capacity trade methodology statement pursuant to paragraph 12(a) of this condition or before modifying that statement, the licensee shall:
 - (i) when modifying its entry capacity trade methodology statement, send a copy of the proposed modifications to the Authority and to any person who asks for one;
 - (ii) consult relevant shippers and interested parties and allow them a period of not less than 28 days, which for the avoidance of doubt may commence before the date on which the Authority issues a decision giving effect to this licence condition, in which to make representations;
 - (iii) within 14 days of the close of the consultation referred to in paragraph 12(g)(ii) of this condition submit to the Authority a report setting out:
 - (aa) the modifications originally proposed (if any);
 - (bb) the representations made by relevant shippers or interested parties (if any) to the licensee and not withdrawn; and
 - (cc) any changes to the modifications proposed as a result of such representations;

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- (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) of this paragraph or any of them shall not apply, comply with such other reasonable requirements as are specified in that direction.
- (h) The licensee shall be entitled to modify its entry capacity trade methodology statement at any time pursuant to paragraph 12(f) of this condition, save that it shall not modify such statement:
- (i) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 12(g)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 12(g)(iii) of this condition the Authority directs the licensee not to make the modification; or
 - (ii) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 12(g)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 12(g)(iii) of this condition; or
 - (iii) where paragraph 12(g)(iv) in this condition applies, before the day specified in any direction made pursuant to that paragraph.
- (i) The licensee shall, by 31 May 2008 and 31 May in each subsequent formula year, provide the Authority with a report on the application and implementation of the entry capacity trade methodology during the previous formula year setting out the extent to which, in the licensee's opinion, the entry capacity trade objectives were achieved during that previous formula year.
- (j) The licensee shall make its entry capacity trade methodology statement from time to time applicable to the pipe-line system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).

Part D – Entry capacity constraint management cost allocation

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

13. Statement of entry capacity constraint management cost allocation rules

- (a) The licensee shall, by the date that is 30 days after the date on which the Authority issues a decision giving effect to this licence condition or such later date as the Authority may direct, prepare and submit for approval by the Authority a statement of entry capacity constraint management cost allocation rules, setting out the rules that it shall apply in attributing entry capacity constraint management costs for the purposes of paragraph 3(n) of this condition.
- (b) Unless the Authority otherwise directs (such direction to be made within two months of the receipt by the Authority of the statement of entry capacity constraint management cost allocation rules prepared pursuant to paragraph 13(a) of this condition) the licensee shall, in attributing entry capacity constraint management costs for the purposes of paragraph 3(n) of this condition, apply the rules set out in that statement from the earlier of:
 - (i) the date of receipt of a notice from the Authority approving the statement of entry capacity constraint management cost allocation rules; or
 - (ii) the date being two months after the statement of entry capacity constraint management cost allocation rules was submitted to the Authority.
- (c) Except where the Authority directs otherwise, before submitting the statement of entry capacity constraint management cost allocation rules pursuant to paragraph 13(a) of this condition or before modifying that statement, the licensee shall when modifying its statement of entry capacity constraint management cost allocation rules send a copy of the proposed modifications to the Authority.
- (d) The licensee shall be entitled to modify its statement of entry capacity constraint management cost allocation rules at any time pursuant to paragraph 13(c) of this condition, save that it shall not modify such statement:
 - (i) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the modifications referred to in paragraph 13(c) of this condition) from the date on which the Authority receives

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the proposed modifications referred to in paragraph 13(c) of this condition the Authority directs the licensee not to make the modification; or

- (ii) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the proposed modifications referred to in paragraph 13(c) of this condition) from the date on which the Authority receives the proposed modifications referred to in paragraph 13(c) of this condition.
- (e) The licensee shall make its statement of entry capacity constraint management cost allocation rules from time to time applicable to the pipe-line system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).

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Annex A to Special Condition C8D (NTS gas entry incentives, costs and revenues)

Part A

1. Solely for the purposes of paragraph 1(a) of Special Condition C8D (NTS gas entry incentive, revenues and costs), the maximum entry capacity investment incentive revenue allowed to the licensee in respect of formula year t ($ECIIR_t$) that arises due to funded incremental obligated entry capacity that was released prior to 1 April 2007 that would have been determined in accordance with Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) of this licence in force at that time shall be calculated in accordance with Part C of this Annex, where:

(i) for the purposes of those calculations, terms shall have the meanings as defined in Part B of this Annex; and

(ii) for the purposes of paragraph 14(5)(f)(ii) of Part C of this Annex A, where the Authority has made a direction pursuant to paragraph 9(e) of Part C of Special Condition C8D (NTS entry incentives, costs and revenues) or where paragraph 9(e)(ii) of Part C of Special Condition C8D (NTS entry incentives, costs and revenues) applies the licensee shall be deemed to have offered for sale all unsold obligated entry capacity, such that $OSELL_{m,d,0}^j = 0$.

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Part B: Definitions appropriate to this Annex

1. For the purposes of this Annex to Special Condition C8D (NTS gas entry incentives, revenues and costs) only:

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;

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

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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;

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

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	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;

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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

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	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 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;

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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 means the activities of the licensee connected with the development, administration and maintenance of the

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TO activity	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;

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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;

subscriber 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:

(c) 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

(d) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution

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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.

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Part C: Calculations of ECIIR_t

1. Solely for the purposes of paragraph 1(a) of Special Condition C8D (NTS gas entry incentive, revenues and costs), the maximum entry capacity investment incentive revenue allowed to the licensee in respect of formula year t (ECIIR_t) shall be calculated in accordance with this Part C of Annex A to Special Condition C8D (NTS gas entry incentive, revenues and costs). For the avoidance of doubt, the provisions of this Part C shall be used solely for the purposes of calculating the maximum entry capacity investment incentive revenue allowed to the licensee and shall not give rise to any obligations for the licensee.
2. For the purposes of those calculations, this Part C of Annex A to Special Condition C8D (NTS gas entry incentive, revenues and costs) replicates the provisions of paragraph 14(5) of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) that would have been in force had that condition not been modified, as follows:

Part 2 The NTS system operation activity revenue restrictions

14. Definition of maximum NTS system operation revenue (SOMR_t)

(5) Entry capacity investment incentive revenue ECIIR_t

(a) Principal formula

For the purposes of paragraph 1 of Special Condition C8D (NTS gas entry incentive, revenues and costs) the entitlement to system operator revenue as a legacy of incremental obligated entry capacity release prior to 1 April 2007 (ECIIR_t) shall be derived in the following manner:

If $t \leq 5$ then:

$$ECIIR_t = \sum_{\text{all } j} \text{SOREVOIEC}_t^j$$

Otherwise:

Comment [JC23]: Replaced RI/Rio with RPIF in formula below

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$$ECIR_t = \sum_{\text{all } j} \text{SOREVOIEC}_t^j + RPIF_t \sum_{\text{all } j} \sum_{m=12t-11}^{12t} \text{SOREVIBEC}_m^j$$

where:

SOREVOIEC_t^j means the maximum NTS system operation incentive revenue from the sale of obligated incremental entry capacity in respect of formula year t at terminal j and shall be derived in accordance with paragraph 14(5)(d) of Part 2 of this condition;

$\sum_{\text{all } j} \text{SOREVOIEC}_t^j$ means the sum across all terminals j of SOREVOIEC_t^j ;

$RPIF_t$ is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence;

SOREVIBEC_m^j means the NTS system operator incentive revenue from the sales of permanent obligated incremental entry capacity in respect of periods where month m is more than 5 years after the first month to which capacity relates and in respect of terminal j that is included in the calculation of NTS SO baseline entry capacity pursuant to paragraph 14(5)(g) of Part 2 of this condition and shall be derived from the following formula:

$$\text{SOREVIBEC}_m^j = \sum_{p=60}^{t-1} \left[\left(\sum_{w=0}^{Q^1} \text{IPOEC}_{(m-p),w}^j \right) \times \frac{\text{UCAG}^j}{12} \times \left(\text{OPEX} + \frac{1}{\text{UEL}} + \frac{\text{ARR}}{2\text{UEL}} \left[2 \left[\text{UEL} - \beta - \text{RND} \left(\frac{p}{12} \right) \right] - 1 \right] \right) \right]$$

where:

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Q^1 means the number of days between 1 April 2002 and the first day of month m (and for the avoidance of doubt when month m is April 2002 Q^1 shall have the value zero (0));

$IPOEC_{(m-p),w}^j$ shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this condition;

$\sum_{p=60}^{(m-1)} \gamma_p$ means the sum calculated in the following manner:

$$\sum_{p=60}^{(m-1)} \gamma_p = \gamma_{60} + \gamma_{61} + \dots + \gamma_{m-1}$$

where:

$$\gamma_p =$$

$$\left(\sum_{w=0}^{Q^1} IPOEC_{(m-p),w}^j \right) \times \frac{UCAG^j}{12} \times \left(OPEX + \frac{1}{UEL} + \frac{ARR}{2UEL} \left[2 \left[UEL - \beta - RND \left(\frac{p}{12} \right) \right] - 1 \right] \right)$$

where:

$\sum_{w=0}^{Q^1} IPOEC_{(m-p),w}^j$ means the sum calculated in the following manner:

$$\sum_{w=0}^{Q^1} IPOEC_{(m-p),w}^j = IPOEC_{(m-p),0}^j + IPOEC_{(m-p),1}^j + \dots + IPOEC_{(m-p),Q^1}^j$$

$UCAG^j$ means the unit cost allowance in pounds per kilowatt hour in respect of terminal j and has the value set out in the following tables:

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Terminal j	UCAG ^j (£/kWh)
Bacton	0.182
Barrow	0.014
Easington	0.034
St. Fergus	0.639
Teesside	0.059
Theddlethorpe	0.031
Glenmavis	0.532
Partington	0.009
Avonmouth	0.064
Isle of Grain	0.186
Dynevor Arms	0.000
Hornsea	0.153
Hatfield Moor (storage)	0.042
Hatfield Moor (onshore)	0.042
Cheshire	0.003
Hole House Farm	0.002
Wytch Farm	0.000
Burton Point	0.002
Barton Stacey	0.000
Garton	0.039
Burton Agnes (Caythorpe)	0.075
Winkfield	0.083
Blyborough	0.035

Comment [JC24]: Rebase to 2009-10 prices

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(Welton)	
Tatsfield	0.083
Albury	0.360
Palmers Wood	0.131

Terminal j	UCAG ^j (£/kWh)	UCAG ^j (£/kWh)
Milford Haven	0.343 where $PRIORCIOEC_m^j \leq 500$ GWh/d	0.257 where $PRIORCIOEC_m^j > 500$ GWh/d

Comment [JC25]: Rebase to 2009-10 prices.

Terminal j	UCAG ^j (£/kWh)	UCAG ^j (£/kWh)
Fleetwood	0.162 where $0 \text{ GWh/d} < PRIORCIOEC_m^j < 580$ GWh/d	0.267 where $580 \text{ GWh/d} \leq PRIORCIOEC_m^j < 740$ GWh/d
	0.224 where $740 \text{ GWh/d} \leq PRIORCIOEC_m^j < 1000$ GWh/d	0.214 where $1000 \text{ GWh/d} \leq PRIORCIOEC_m^j < 1200$ GWh/d
	0.263 where $1200 \text{ GWh/d} \leq PRIORCIOEC_m^j \leq 1400$ GWh/d	

Comment [JC26]: Rebase to 2009-10 prices

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PRIORCIOEC_m^j shall mean the cumulative obligated incremental entry capacity in respect of each day in month m at terminal j at a date to be determined by the Authority.

OPEX has a value equal to 0.015;

UEL has a value equal to 45;

ARR has a value equal to 0.0625;

β has a value equal to 0.2; and

RND(x) means the value of x rounded down to the next integer value; and

$\sum_{\text{all } j} \sum_{m=12t-11}^{12t} \text{SOREVIBEC}_{m}^{j}$ means the sum across all terminals j of $\sum_{m=12t-11}^{12t} \text{SOREVIBEC}_{m}^{j}$; and

$\sum_{m=12t-11}^{12t} \text{SOREVIBEC}_{m}^{j}$ means the sum across all months m in formula year t at terminal j of SOREVIBEC_{m}^{j} calculated in the following manner:

$$\sum_{m=12t-11}^{12t} \text{SOREVIBEC}_{m}^{j} = \text{SOREVIBEC}_{(12t-11)}^{j} + \text{SOREVIBEC}_{(12t-10)}^{j} + \dots + \text{SOREVIBEC}_{12t}^{j}$$

(b) Determination of obligated incremental entry capacity

(i) In this paragraph 14(5)(b) of Part 2 of this condition:

proposal means a proposal by the licensee to undertake to sell or to offer for sale entry capacity additional to the then current level of obligated entry capacity and for such entry capacity to be treated as obligated incremental entry capacity for the purposes of Part 2 of this condition.

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- (ii) Where the licensee reasonably believes that there is or will be demand for firm entry capacity additional to the then current level of obligated entry capacity as a result of calculations carried out in accordance with its prevailing incremental entry capacity release methodology, established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes), it may apply for that additional firm entry capacity to be treated as obligated incremental entry capacity for the purposes of Part 2 of this condition in accordance with the following paragraphs.
- (iii) The licensee shall make a written application to the Authority in respect of each specific proposal to make available obligated incremental entry capacity for sale which shall include, in sufficient detail to enable the Authority to decide whether to make the direction referred to in sub-paragraph 14(5)(b)(vii) of Part 2 of this condition, the following:
 - (aa) The inputs that have been applied to the incremental entry capacity release methodology;
 - (bb) The results of applying the incremental entry capacity release methodology and the rationale for why the licensee believes implementation of the proposal is justified;
 - (cc) The terminal to which the proposal relates;
 - (dd) The volume of firm entry capacity subject to the proposal;
 - (ee) The duration for which the licensee will be obliged to offer for sale the firm entry capacity subject to the proposal (for the avoidance of doubt this must be at least one year);
 - (ff) The first month in respect of which the firm entry capacity subject to the proposal would relate (for the avoidance of

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doubt, the capacity will be deemed to be available from the first day of this month);

- (gg) The amount of capital expenditure which the licensee reasonably expects to incur in implementing the proposal;
 - (hh) A technical description of the manner in which the licensee proposes to provide the firm entry capacity subject to the proposal;
 - (ii) The day on which the obligation to offer for sale such capacity would commence; and
 - (jj) 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, giving their opinion as to the extent to which the licensee has complied with its incremental entry capacity release methodology specified and the reasonableness of the inputs used.
- (iv) The licensee shall keep a record of each application made pursuant to paragraph 14(5)(b)(iii) of Part 2 of this condition.
- (v) The licensee shall provide the Authority with such additional information as the Authority requests for the purposes of ascertaining whether it is reasonable to conclude that there is sufficient demand to justify implementation of the proposal.
- (vi) Where the licensee's calculations pursuant to its incremental entry capacity release methodology demonstrate that all the relevant criteria as specified in its incremental entry capacity release methodology for releasing incremental entry capacity have been met, the licensee shall implement the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this condition in accordance with the timetable set out in that proposal commencing 5 business days from receipt by the Authority of written application under paragraph

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14(5)(b)(iii) in Part 2 of this condition, unless the Authority notifies the licensee in writing before that date to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this condition contained insufficient information for it to determine whether all of the relevant criteria as specified in its incremental entry capacity release methodology have been met.

(vii) Where the Authority has notified the licensee under paragraph 14(5)(b)(vi) in Part 2 of this condition to suspend implementation of the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this condition the licensee shall implement the proposal, subject to any amendments which may have been agreed between the licensee and the Authority, in accordance with the timetable set out in that proposal commencing 28 days from receipt by the Authority of written application under paragraph 14(5)(b)(iii) in Part 2 of this condition, unless the Authority directs the licensee in writing before that date not to implement the proposal or prior to the end of the 28 days the Authority directs the licensee in writing to implement the proposal (subject to any amendments as may have been agreed with the Authority) at an earlier date.

(viii) Pursuant to a proposal made by the licensee under paragraph 14(5)(b)(iii) in Part 2 of this condition, and implemented in accordance with paragraph 14(5)(b)(vi) or (vii) in Part 2 of this condition, as the case may be, the licensee shall treat as:

(aa) permanent obligated incremental entry capacity that capacity which it has proposed to offer for sale in respect of every day of a period of five years or more; and

(bb) annual obligated incremental capacity, that capacity which it has proposed to offer for sale in respect of every day of a period of less than five years

and shall be obliged to offer such capacity for sale from the date specified in such proposal (as may have been amended in

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accordance with paragraph 14(5)(b)(vii) in Part 2 of this condition) in accordance with paragraphs 14(5)(c) and 14(5)(f) in Part 2 of this condition;

- (ix) The licensee may withdraw a proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this condition within 5 business days from receipt by the Authority of that proposal. Where the Authority has notified the licensee under paragraph 14(5)(b)(vi) in Part 2 of this condition to suspend implementation of the proposal made pursuant to paragraph 14(5)(b)(iii) in Part 2 of this condition, the licensee may withdraw such a proposal within 28 days from receipt by the Authority of that proposal unless the Authority has otherwise directed the licensee to implement the proposal; and
- (x) For the avoidance of doubt where the Authority has made a direction not to implement the proposal under paragraph 14(5)(b)(vii) in Part 2 of this condition the licensee shall remain entitled to make available firm entry capacity additional to the then current level of obligated entry capacity and any such additional firm entry capacity sold by the licensee shall be treated as non-obligated incremental entry capacity.

(c) The allocation of firm entry capacity

- (i) The licensee shall use all reasonable endeavours to ensure that by 1 February 2003 it has offered for sale all long-term NTS SO baseline entry capacity available in respect of at least formula years 1 to 5 inclusive in one or more allocations, such allocations having been duly notified in accordance with paragraph 14(5)(c)(iv) in Part 2 of this condition.
- (ii) The licensee shall use all reasonable endeavours to offer for sale all obligated entry capacity in at least one clearing allocation such allocation or allocations having been duly notified in accordance with paragraph 14(5)(c)(iv) in Part 2 of this condition, for the avoidance of doubt where a clearing allocation would contravene the provisions of Standard Special Condition A4 (Charging - General) the licensee shall allocate such capacity in accordance with provisions of Standard

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Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology).

(iii) Where the licensee serves a termination notice (having the meaning given to that term in the network code) on a gas shipper (the terminated gas shipper), the licensee shall:

(aa) use all reasonable endeavours to offer for sale, in at least one clearing allocation (for the avoidance of doubt where a clearing allocation would contravene the provisions of Standard Special Condition A4 (Charging - General) the licensee shall allocate such capacity in accordance with provisions of Standard Special Condition A5 (5)(aa)(ii) (Obligations as Regard Charging Methodology)), any such obligated entry capacity relating to any day that has not commenced that was held by the terminated gas shipper and which obligated capacity has not been registered to another gas shipper pursuant to section B (System use and capacity) of the network code, such clearing allocations having been duly notified in accordance with paragraph 14(5)(c)(iv) in Part 2 of this condition; and

(bb) at the earliest possible opportunity, submit a written proposal to the Authority, for approval by the Authority, in relation to the allocation of revenues derived from the sale of capacity pursuant to sub-paragraph (aa) of this paragraph, between $REVBEC_{m,d,w}^j$ and $REVOIEC_{m,d,w}^j$ (as the same are defined in paragraph 14(5)(i) of Part 2 of this condition) for each day d of month m to which the capacity relates, for each of the allocations occurring w days prior to day d of month m which proposal shall be reviewed, revised (if necessary in the Authority's opinion) and, if approved by the Authority, implemented.

(iv) An allocation has been duly notified for the purposes of paragraphs 14(5)(c)(i), (ii) and (iii) of Part 2 of this condition if the licensee has

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in accordance with the network code notified gas shippers of the allocations forthcoming occurrence.

- (v) Revenue derived by the licensee from the sale of obligated incremental entry capacity may only be taken into account, except where the Authority otherwise accepts, in the calculation of $ECIIR_t$ to the extent that the capacity to which it relates has been offered for sale by the licensee in accordance with paragraphs 14(5)(c) (ii) and where applicable (iii) above and paragraph 14(5)(f)(ii) in Part 2 of this condition.
- (vi) To the extent that any revenue derived by the licensee from the sale of obligated incremental entry capacity is not taken into account in the calculation of $REVOIEC_t$ or $SOREVOIEC_t$ pursuant to paragraph 14(5)(c)(v) above, in respect of formula year t, it shall be taken into account in the calculation of $REVBEC_t$.

(d) NTS system operation incentive revenue in respect of obligated incremental entry capacity $\{SOREVOIEC_t^j\}$

For the purposes of paragraph 14(5)(a) of Part 2 of this condition, the maximum NTS system operation incentive revenue from the sale of obligated incremental entry capacity in respect of formula year t at terminal j $\{SOREVOIEC_t^j\}$ shall be derived from the following formula:

$$SOREVOIEC_t^j =$$

$$\text{MIN} \left[\text{CAPOIEC}_t^j, \text{MAX} \left(\text{COLOIEC}_t^j, \sum_{m=12t-11}^{12t} \left(\sum_{\text{All } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j \right) - \text{DQREV}_t^j \right) \right]$$

where:

$\text{MIN}(x,y)$ means the value equal to the lesser of x and y;

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CAPOIEC_t^j means the maximum entry capacity investment incentive revenue allowed to the licensee in respect of sales of obligated incremental entry capacity in respect of formula year t at terminal j, and shall be derived in accordance with paragraph 14(5)(e) in Part 2 of this condition;

MAX(x,y) means the value equal to the greater of x and y;

COLOIEC_t^j means the minimum entry capacity investment incentive revenue allowed to the licensee in respect of sales of obligated incremental entry capacity in respect of formula year t at terminal j, and shall be derived in accordance with paragraph 14(5)(h) in Part 2 of this condition;

Q^d means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002 Q^d shall have the value zero (0));

REVOIEC_{m,d,w}^j means the entry capacity incentive revenue derived by the licensee in respect of sales of obligated incremental entry capacity in respect of day d of month m for terminal j made w days in advance of day d and shall be derived in accordance with paragraph 14(5)(i) of Part 2 of this condition; and

$\sum_{m=12t-11}^{12t} \left(\sum_{All\ d} \sum_{w=1}^{Q^d} REVOIEC_{m,d,w}^j \right)$ means the sum across all months m in formula year t of $\sum_{All\ d} \sum_{w=1}^{Q^d} REVOIEC_{m,d,w}^j$ and shall be calculated in the following manner:

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$$\sum_{m=12t-11}^{12t} \left(\sum_{\text{All } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j \right) =$$

$$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{(12t-11),d,w}^j +$$

$$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{(12t-10),d,w}^j + \dots + \sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{12t,d,w}^j$$

where:

$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$ means the sum across all days d in month m of $\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$ for each terminal j and shall be calculated in the following manner:

$$\sum_{\text{all } d} \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j =$$

$$\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,1,w}^j + \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,2,w}^j + \dots + \sum_{w=1}^{Q^d} \text{REVOIEC}_{m,D,w}^j$$

where:

D means the number of days in month m ; and

$\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j$ means the sum across all days w between day d of month m and 1 April 2002 of $\text{REVOIEC}_{m,d,w}^j$ and shall be calculated in the following manner:

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$$\sum_{w=1}^{Q^d} \text{REVOIEC}_{m,d,w}^j =$$

$$\text{REVOIEC}_{m,d,1}^j + \text{REVOIEC}_{m,d,2}^j + \dots + \text{REVOIEC}_{m,d,Q^d}^j$$

DQREV_t^j means the sum of all revenue derived by the licensee in formula year t from the sale of obligated incremental entry capacity in respect of terminal j that has not been taken into account in the calculation of REVOIEC_t^j pursuant to paragraph 14(5)(c)(vi) of Part 2 of this condition.

(e) **The maximum entry capacity investment incentive revenue CAPOIEC_t^j**

For the purposes of paragraph 14(5)(d) of Part 2 of this condition, the maximum entry capacity investment incentive revenue allowed to the licensee in respect of obligated incremental entry capacity in respect of formula year t at terminal j CAPOIEC_t^j shall be derived from the following formula:

Comment [JC27]: Replaced RIt/RIo in formula below with RPIF.

$$\text{CAPOIEC}_t^j =$$

$$RPIF_t \times \left(\sum_{m=12t-11}^{12t} \left(\sum_{\text{all } d} \left(\text{MAX} \left(\text{CIOEC}_{m,0}^j - \text{OSEL}_{m,d,0}^j, 0 \right) \right) \right) \right) \times \text{UCACAP}_t^j$$

where:

$RPIF_t$ is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence;

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MAX(x,y) means the value equal to the greater of x and y;

CIOEC_{m,0}^j means the total obligated incremental entry capacity in respect of month m at terminal j and shall be derived in accordance with paragraph 14(5)(g) of Part 2 of this condition where w is equal to zero;

OSELL_{m,d,0}^j means that obligated entry capacity in respect of day d of month m at terminal j which the licensee on day d continues to have an obligation to offer for sale and shall be derived in accordance with paragraph 14(5)(f) of Part 2 of this condition where w is equal to zero; and

UCACAP_t^j means the entry capacity unit cost multiplier relating to the maximum allowed entry capacity investment incentive revenue in respect of each day of formula year t and terminal j and shall be derived from the following formula:

$$UCACAP_t^j = UCAG^j \times \frac{UCACAPCONV}{y_t}$$

where:

UCAG^j means the entry capacity unit cost allowance in respect of terminal j and has the value set out in paragraph 14(5)(a) in Part 2 of this condition;

UCACAPCONV has a value equal to 0.17438; and

y_t means the number of days in formula year t.

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$\sum_{m=12t-11}^{12t} \left(\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right) \right)$ means the sum across all months m in formula year t of $\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right)$ and shall be calculated in the following manner:

$$\begin{aligned}
 \sum_{m=12t-11}^{12t} \left(\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right) \right) = & \\
 & \left(\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{(12t-11),0}^j - \text{OSELL}_{(12t-11),d,0}^j, 0 \right) \right) \right) \\
 & + \left(\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{(12t-10),0}^j - \text{OSELL}_{(12t-10),d,0}^j, 0 \right) \right) \right) \\
 & + \dots + \left(\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{12t,0}^j - \text{OSELL}_{12t,d,0}^j, 0 \right) \right) \right)
 \end{aligned}$$

where:

$\sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right)$ means the sum across all days d in month m of $\left(\text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right)$ and shall be calculated in the following manner:

$$\begin{aligned}
 \sum_{\text{all } d} \left(\text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,d,0}^j, 0 \right) \right) = & \\
 & \text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,1,0}^j, 0 \right) \\
 & + \text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,2,0}^j, 0 \right) \\
 & \dots + \text{MAX} \left(\text{IOEC}_{m,0}^j - \text{OSELL}_{m,D,0}^j, 0 \right)
 \end{aligned}$$

where:

D means the number of days in month m.

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(f) Obligated entry capacity for which the licensee still has an obligation to offer for sale

(i) Calculation of obligated entry capacity for which the licensee still has an obligation to offer for sale ($OSELL_{m,d,w}^j$)

For the purposes of paragraph 14(5)(e) of Part 2 of this condition, the obligated entry capacity which the licensee continues to have an obligation to offer for sale in respect of day d of month m at terminal j during the day that is w days in advance of day d

$OSELL_{m,d,w}^j$ shall be derived from the following formula:

$$OSELL_{m,d,w}^j = TOEC_{m,w}^j - \sum_{W=w}^{Q^d} OMET_{m,d,W}^j - \text{Min} (PRIORSELL_{m,d}^j, TOEC_{m,w}^j)$$

where:

$TOEC_{m,w}^j$ shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this condition;

Q^d means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002 Q^d shall have the value zero (0))

$OMET_{m,d,W}^j$ means the obligated entry capacity in respect of day d of month m at terminal j in respect of which the licensee has fulfilled its obligation to sell or offer for sale that obligated entry capacity in any allocations occurring W days in advance of day d of month m and shall be derived in the following manner:

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On 1 April 2002:

$$OMET_{m,d,W}^j = \min \left(CAPOFFER_{m,d,W} + CAPSALE_{m,d,W} - \left[TOEC_{m,W} - \min \left(PRIORSELL_{m,d}^j, TOEC_{m,W} \right) \right] \right)$$

Otherwise:

$$OMET_{m,d,W}^j = \min \left(CAPOFFER_{m,d,W} + CAPSALE_{m,d,W} - \left[TOEC_{m,W} - \sum_{\sigma=W+1}^{Q^d} OMET_{m,d,\sigma}^j - \min \left(PRIORSELL_{m,d}^j, TOEC_{m,W} \right) \right] \right)$$

where:

$CAPOFFER_{m,d,W}$ means that entry capacity in respect of day d of month m and terminal j offered for sale in clearing allocations occurring W days in advance of day d of month m;

$CAPSALE_{m,d,W}$ means that entry capacity in respect of day d of month m and terminal j sold in allocations other than clearing allocations occurring W days in advance of day d of month m;

$\sum_{\sigma=W+1}^{Q^d} OMET_{m,d,\sigma}^j$ means the sum across all days σ between W+1 and Q^d of $OMET_{m,d,\sigma}^j$ and shall be calculated in the

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following manner:

$$\sum_{\sigma=W+1}^{Q^d} \text{OMET}_{m,d,\sigma}^j =$$

$$\text{OMET}_{m,d,(W+1)}^j + \text{OMET}_{m,d,(W+2)}^j + \dots + \text{OMET}_{m,d,Q^d}^j$$

MIN (x,y) means the value equal to the lesser of x and y; and

PRIORSELL_{m,d}^j means that entry capacity, measured in kWh, in respect of day d of month m and terminal j allocated in any allocation occurring prior to 1 April 2002.

(i)

(ii) (ii) **Obligation to offer for sale obligated entry capacity**

(a) In respect of any terminal j the licensee has an obligation to offer for sale obligated entry capacity at the commencement of the day to which it relates (that is, $\text{PSEL}_{m,d,w}^j > 0$ at 06:00 on day d) the licensee shall use all reasonable endeavours to offer for sale all such capacity to gas shippers such that $\text{PSEL}_{m,d,w}^j = 0$ at the end of day d of month m except where, and to the extent that, the Authority has otherwise consented in writing. For the avoidance of doubt, where such an allocation would contravene the provisions of Standard Special Condition A4 (Charging- General) the licensee shall allocate such capacity in accordance with the provisions of Standard Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology);

(b) Where the licensee has complied with its obligations pursuant to paragraph 14(5)(f)(ii)(a) of Part 2 of this

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condition then at the end of day d of month m $OSELL_{m,d}^j$ shall have a value equal to zero.

(g) Calculation of obligated entry capacity (TOEC $_{m,w}^j$)

For the purposes of paragraph 14(5)(f) of Part 2 of this condition, the obligated entry capacity in respect of month m at terminal j as at w days in advance of the first day of month m (TOEC $_{m,w}^j$) shall be derived from the following formula:

$$TOEC_{m,w}^j = MOEC_{m,w}^j + CIOEC_{m,w}^j$$

where:

MOEC $_{m,w}^j$ means the NTS SO baseline entry capacity in respect of month m at terminal j as at w days in advance of the first day of month m (for the avoidance of doubt m=1 is April 2002) and shall be derived in the following manner:

If $m > 60$:

$$MOEC_{m,w}^j = LBEC_m^j + \alpha(SBEC_m^j) + \left(\sum_{p=60}^{m-1} \sum_{W=0}^{\alpha-1} IPOEC_{(m-p),W}^j \right)$$

Otherwise:

$$MOEC_{m,w}^j = LBEC_m^j + \alpha(SBEC_m^j)$$

where:

LBEC $_m^j$ means the long-term NTS SO baseline entry capacity measured in kWh in respect of month m at terminal j and shall be derived from the following formula:

$$LBEC_m^j = (-STR_m^j) \times LBEC_m^j \times 1,000,000$$

where:

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STR_m^j has the value 0.2; and

$IBEC_m^j$ means the initial NTS SO baseline entry capacity in respect of month m at terminal j and shall have the value set out in table A2 of schedule A;

α equals one (1) if $w < 548$, otherwise it equals zero (0);

$SBEC_m^j$ means the short-term NTS SO baseline entry capacity measured in kWh in respect of month m at terminal j and shall be derived from the following formula:

$$SBEC_m^j = STR_m^j \times IBEC_m^j \times 1,000,000$$

where:

STR_m^j has the meaning given above; and

$IBEC_m^j$ has the meaning given above;

Q^1 means the number of days between 1 April 2002 and the first day of month m (and for the avoidance of doubt when month m is April 2002 Q^1 shall have the value zero (0));

$IPOEC_{(m-p),w}$ means that permanent obligated incremental entry capacity, measured in kWh, in respect of terminal j which is first delivered in month (m-p) and in respect of which the obligation

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to offer such capacity for sale commenced as at W days in advance of the first day of the first month to which such capacity relates; and

$\sum_{p=60}^{(m-1)} \sum_{W=0}^{Q^1} \text{IPOEC}_{(m-p),W}^j$ means the sum across all permanent obligated incremental entry capacity in respect of terminal j, for which the first month to which it relates is month (m-p), that the licensee has undertaken to offer for sale or sell as at W days prior to the first day of month m (provided that month (m-p) is not prior to April 2002) and shall be calculated in the following manner:

$$\sum_{p=60}^{(m-1)} \sum_{W=0}^{Q^1} \text{IPOEC}_{(m-p),W}^j = \sum_{W=0}^{Q^1} \text{IPOEC}_{(m-60),W}^j + \sum_{W=0}^{Q^1} \text{IPOEC}_{(m-61),W}^j + \dots + \sum_{W=0}^{Q^1} \text{IPOEC}_{1,W}^j$$

where:

$\sum_{W=0}^{Q^1} \text{IPOEC}_{(m-p),W}^j$ means the sum across all days W between the first day of the first month to which such capacity relates and 1 April 2002 of $\text{IPOEC}_{(m-p),W}^j$ and shall be calculated in the following manner:

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$$\sum_{W=0}^{Q^1} \text{IPOEC}_{(m-p),W}^j$$

$$\text{IPOEC}_{(m-p),0}^j + \text{IPOEC}_{(m-p),1}^j + \dots + \text{IPOEC}_{(m-p),Q^1}^j$$

$\text{CIOEC}_{m,w}^j$ means the cumulative obligated incremental entry capacity in respect of every day in month m at terminal j as at w days in advance of the first day of month m and is derived from the following formula:

$$\text{CIOEC}_{m,w}^j =$$

$$\sum_{p=0}^{\text{MIN}(m-1,59)} \sum_{W=w}^{Q^1} \text{IPOEC}_{(m-p),W}^j + \sum_{p=0}^{\text{MIN}(m-1,11)} \sum_{W=w}^{Q^1} \text{IAOEC}_{(m-p),W}^j$$

where:

$\text{MIN}(x,y)$ means the value equal to the lesser of x and y;

$\text{IPOEC}_{(m-p),W}^j$ has the meaning given above

$\text{IAOEC}_{(m-p),W}^j$ means that annual obligated incremental entry capacity, measured in kWh in respect of terminal j which is first delivered in month (m-p) and in respect of which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the first month to which such capacity relates.

$\sum_{p=0}^{\text{MIN}(m-1, \varphi)} \sum_{W=w}^{Q^1} \text{IPOEC}_{(m-p),W}^j$ means the sum across all incremental obligated entry capacity $\lambda_{(m-p),W}^j$ (where λ equals

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IPOEC or IAOEC as the case may be) for which the first month to which it relates is month (m-p), that the licensee has undertaken to offer for sale or sell as at W days prior to the first day of month m (provided that month (m-p) is not prior to April 2002) and shall be calculated in the following manner:

$$\sum_{p=0}^{\text{MIN}((m-1), \phi)} \sum_{W=w}^{Q^1} \lambda_{(m-p), W}^j = \sum_{W=w}^{Q^1} \lambda_{m, W}^j + \sum_{W=w}^{Q^1} \lambda_{(m-1), W}^j + \dots + \sum_{W=w}^{Q^1} \lambda_{(m-\text{MIN}((m-1), \phi)), W}^j$$

where:

ϕ takes a value of 59 where λ equals IPOEC and a value of 11 where λ equals IAOEC;

$\sum_{W=w}^{Q^1} \lambda_{(m-p), W}^j$ means the sum across all days W between w and 1 April 2002 of $\lambda_{(m-p), W}^j$ and shall be calculated in the following manner:

$$\sum_{W=w}^{Q^1} \lambda_{(m-p), W}^j = \lambda_{(m-p), w}^j + \lambda_{(m-p), (w+1)}^j + \dots + \lambda_{(m-p), Q^1}^j$$

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(h) The minimum entry capacity investment incentive revenue (COLOIEC_t^j)

For the purposes of paragraph 14(5)(d) of Part 2 of this condition, the minimum entry capacity investment incentive revenue allowed to the licensee in respect of formula year t at terminal j (COLOIEC_t^j) shall be derived from the following formula:

Comment [JC28]: Replaced RIt/R10 with RPIFt in the formula below.

$$COLOIEC_t^j = RPIF_t \times \left(\sum_{m=12t-11}^{12t} \left(\sum_{\text{all } d} \left(\text{MAX} \left(CIOEC_{m,0}^j - OSELL_{m,d,0}^j, 0 \right) \right) \right) \right) \times UCACOL_t^j$$

where:

RPIF_t is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence;

MAX(x,y) means the value equal to the greater of x and y;

CIOEC_{m,0}^j shall have the meaning given to the term CIOEC_{m,w}^j in paragraph 14(5)(g) of Part 2 of this condition where w is equal to zero;

OSELL_{m,d,0}^j shall have the meaning given to the term OSELL_{m,d,w}^j in paragraph 14(5)(f) of Part 2 of this condition where w is equal to zero;

$\sum_{m=12t-11}^{12t} \left(\sum_{\text{all } d} \left(\text{MAX} \left(CIOEC_{m,0}^j - OSELL_{m,d,0}^j, 0 \right) \right) \right)$ shall have the meaning given to that term in paragraph 14(5)(e) of Part 2 of this condition; and

UCACOL_t^j means the entry capacity unit cost multiplier relating to the entry capacity investment incentive revenue collar in

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respect of each day of formula year t and terminal j and shall be derived from the following formula:

$$UCACOL_t^j = UCAG^j \times \frac{UCACOLCONV}{y_t}$$

where:

UCAG^j means the entry capacity unit cost allowance in respect of terminal j and has the value set out in paragraph 14(5)(a) in Part 2 of this condition;

y_t means the number of days in formula year t; and

UCACOLCONV has a value equal to 0.09661.

(i) Calculation of entry capacity incentive revenue (REVOIEC_{m,d,w}^j)

- (i) Except where paragraph 14(5)(c)(vi) of Part 2 of this condition or subparagraph (aa) below applies, the entry capacity incentive revenue in respect of sales of obligated incremental entry capacity in respect of day d of month m and terminal j made w days in advance of day d (REVOIEC_{m,d,w}^j) shall be derived in the manner set out in subparagraphs (ii), (iii) and (iv);

- (aa) In the case of revenues from the sales of obligated incremental entry capacity which have been sold pursuant to paragraph 14(5)(c)(iii)(aa) of Part 2 of this condition, then, for the purposes of this paragraph only, such revenues shall only be included in the calculation of entry capacity incentive revenue where the Authority has so

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agreed, pursuant to paragraph 14(5)(c)(iii)(bb) of Part 2 of this condition.

(ii) Firm entry capacity in respect of day d of month m at terminal j allocated w days in advance of day d shall be defined as either $SOLDBEC_{m,d,w}^j$, $SOLDOIEC_{m,d,w}^j$ or $SOLDIEC_{m,d,w}^j$ in accordance with the following sub-paragraphs of this paragraph 14(5)(i)(ii) of Part 2 of this condition;

(aa) Allocated volumes of NTS SO baseline entry capacity

$$SOLDBEC_{m,d,w}^j$$

The NTS SO baseline entry capacity in kilowatt hours per day in respect of day d of month m at terminal j allocated w days in advance of day d shall be derived from the following formula:

$$SOLDBEC_{m,d,w}^j =$$

$$\text{MIN} \left(\text{CAPSOLD}_{m,d,w}^j, \left(\text{MOEC}_{m,w}^j - \sum_{W=w+1}^{Q^d} \text{SOLDBEC}_{m,d,W}^j \right) \right)$$

where:

$\text{MIN}(x, y)$ means the value equal to the lesser of x and y;

$\text{CAPSOLD}_{m,d,w}^j$ means that entry capacity in respect of day d of month m and terminal j sold in allocations occurring w days in advance of day d of month m;

$\text{MOEC}_{m,w}^j$ shall have the meaning given to that term in paragraph 14(5)(g) of Part 2 of this condition;

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Q^d means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002 Q^d shall have the value zero (0)); and

$\sum_{W=w+1}^{Q^d} \text{SOLDBEC}_{m,d,W}^j$ means the sum across days W between (w+1) and 1 April 2002 of $\text{SOLDBEC}_{m,d,W}^j$ and shall be calculated in the following manner:

$$\sum_{W=w+1}^{Q^d} \text{SOLDBEC}_{m,d,W}^j = \text{SOLDBEC}_{m,d,(w+1)}^j + \text{SOLDBEC}_{m,d,(w+2)}^j + \dots + \text{SOLDBEC}_{m,d,Q^d}^j$$

Where more than one allocation occurs on day w, values for $\text{SOLDBEC}_{m,d,W}^j$ shall be separately calculated in chronological order of the allocations, for each allocation.

(bb) Allocated volumes of obligated incremental entry capacity $\text{SOLDOIEC}_{m,d,w}^j$

The obligated incremental entry capacity in kilowatt hours per day in respect of day d of month m at terminal j allocated w days in advance of day d shall be derived from the following formula:

$$\text{SOLDOIEC}_{m,d,w}^j = \text{MIN} \left(\text{CAPSOLD}_{m,d,w}^j - \text{SOLDBEC}_{m,d,w}^j, \left(\text{CIOEC}_{m,w}^j - \sum_{W=w+1}^{Q^d} \text{SOLDOIEC}_{m,d,W}^j \right) \right)$$

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where:

MIN(x,y) means the value equal to the lesser of x and y;

CAPSOLD_{m,d,w}^j shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this condition;

SOLDBEC_{m,d,w}^j shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this condition;

CIOEC_{m,w}^j shall have the meaning given to that term in paragraph 14(5)(g) of Part2 of this condition;

Q^a means the number of days between 1 April 2002 and day d of month m (and for the avoidance of doubt when day d of month m is 1 April 2002 Q^d shall have the value zero (0)); and

$\sum_{W=w+1}^{Q^d}$ SOLDOIEC_{m,d,W}^j means the sum across days W between (w+1) and 1 April 2002 of SOLDOIEC_{m,d,W}^j and shall be calculated in the following manner:

$$\sum_{W=w+1}^{Q^d} \text{SOLDOIEC}_{m,d,W}^j = \text{SOLDOIEC}_{m,d,(w+1)}^j + \text{SOLDOIEC}_{m,d,(w+2)}^j + \dots + \text{SOLDOIEC}_{m,d,Q^d}^j$$

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Where more than one allocation occurs on day w, values for $SOLDOIEC_{m,d,w}^j$, shall be separately calculated in chronological order of the allocations, for each allocation.

- (cc) Allocated volumes of non-obligated incremental entry capacity $SOLDIEC_{m,d,w}^j$

The non-obligated incremental entry capacity in kilowatt hours per day in respect of day d of month m at terminal j allocated w days in advance of day d shall be derived from the following formula:

$$SOLDIEC_{m,d,w}^j = CAPSOLD_{m,d,w}^j - SOLDBEC_{m,d,w}^j - SOLDOIEC_{m,d,w}^j$$

where:

$CAPSOLD_{m,d,w}^j$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this condition;

$SOLDBEC_{m,d,w}^j$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this condition; and

$SOLDOIEC_{m,d,w}^j$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(bb) of Part 2 of this condition.

Where more than one allocation occurs on day w, values for $SOLDIEC_{m,d,w}^j$, shall be separately calculated in chronological order of the allocations, for each allocation.

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(iii) The NTS SO baseline entry capacity revenue in respect of sales of NTS SO baseline entry capacity in respect of day d of month m and terminal j as at w days in advance of day d ($\text{EVBE}^j_{m,d,w}$) shall be the revenue allocated in respect of $\text{SOLDBEC}^j_{m,d,w}$ where it is assumed that firm entry capacity allocated on day d of month m was allocated to gas shippers in descending order of price accepted to be paid in respect of each allocation of firm entry capacity in chronological order throughout day d of month m starting with the highest paid in the amount applied for allocating first up to the total volume of $\text{SOLDBEC}^j_{m,d,w}$ then up to the total volume of $\text{SOLDOIEC}^j_{m,d,w}$ then up to the total volume of $\text{SOLDIEC}^j_{m,d,w}$;

where:

$\text{SOLDBEC}^j_{m,d,w}$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this condition;

$\text{SOLDOIEC}^j_{m,d,w}$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(bb) of Part 2 of this condition; and

$\text{SOLDIEC}^j_{m,d,w}$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(cc) of Part 2 of this condition.

(iv) The obligated incremental entry capacity revenue derived by the licensee in respect of sales of obligated incremental entry capacity in respect of day d ($\text{EVOIEC}^j_{m,d,w}$) of month m and terminal j, as at w days in advance of d shall be the revenue allocated in respect of $\text{SOLDOIEC}^j_{m,d,w}$ where it is assumed that firm entry capacity allocated on day d of month m was allocated to gas shippers in descending order of price accepted to be paid in respect of each allocation of firm entry capacity in chronological order throughout day d of month m starting with the highest paid in the amount applied for, allocating first up to the total volume of $\text{SOLDBEC}^j_{m,d,w}$

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then up to the total volume of $SOLDOIEC_{m,d,w}^j$ then up to the total volume of $SOLDIEC_{m,d,w}^j$;

where:

- $SOLDBEC_{m,d,w}^j$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(aa) of Part 2 of this condition;
- $SOLDOIEC_{m,d,w}^j$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(bb) of Part 2 of this condition; and
- $SOLDIEC_{m,d,w}^j$ shall have the meaning given to that term in paragraph 14(5)(i)(ii)(cc) of Part 2 of this condition.

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Part D – 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: NTS TO baseline entry capacity (GWh/day)

Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
Bacton	1527	1646	1839	1939	1939
Barrow	812	790	790	791	791
Easington	1105	985	1141	1180	1180
St. Fergus	1689	1721	1809	1831	1863
Teesside	910	823	834	845	845
Theddlethorpe	758	628	879	942	942
Glenmavis	110	110	110	110	110
Partington	239	239	239	239	239
Avonmouth	165	165	165	165	165
Isle of Grain	243	243	243	243	243
Dynevor Arms	55	55	55	55	55
Hornsea	195	195	195	195	195
Hatfield Moor (storage)	60	60	60	60	60
Hatfield Moor (onshore)	1.1	1.1	1.1	1.1	1.1
Cheshire	0	0	119	179	238
Hole House Farm	29	29	29	29	29
Wytch Farm	3.6	3.6	3.6	3.6	3.6
Burton Point	61.3	61.3	61.3	61.3	61.3
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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<u>Burton Agnes</u> <u>(Caythorpe)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Winkfield</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Blyborough</u> <u>(Welton)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Tatsfield</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Albury</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Palmers Wood</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fleetwood</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Table A2: Initial NTS SO baseline entry capacity (GWh/day)

	1≤m≤12	13≤m≤24	25≤m≤36	37≤m≤48	49≤m
Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
Bacton	1374	1481	1655	1745	1745
Barrow	731	711	711	712	712
Easington	995	887	1027	1062	1062
St. Fergus	1520	1549	1628	1648	1677
Teesside	819	741	751	761	761
Theddlethorpe	682	565	791	848	848
Glenmavis	99	99	99	99	99
Partington	215	215	215	215	215
Avonmouth	149	149	149	149	149
Isle of Grain	218	218	218	218	218
Dynevor Arms	50	50	50	50	50
Hornsea	175	175	175	175	175
Hatfield Moor (storage)	54	54	54	54	54
Hatfield Moor (onshore)	1	1	1	1	1
Cheshire	0	0	107	161	214
Hole House Farm	26	26	26	26	26
Wytch Farm	3.2	3.2	3.2	3.2	3.2
Burton Point	55	55	55	55	55
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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<u>Burton Agnes</u> <u>(Caythorpe)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Winkfield</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Blyborough</u> <u>(Welton)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Tatsfield</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Albury</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Palmers Wood</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fleetwood</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

Special Condition C8E. NTS gas exit incentives, costs and revenues

1. 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:

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

where:

ExCBBIIIR_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)(i) 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;

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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 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.

ExBBCNLR_t means the NTS exit flat capacity buyback costs incurred by the licensee in respect of year t which

- (i) arise as a result of the rate of offtake by a User at a particular NTS exit point exceeding the maximum permitted offtake rate for that NTS exit point;
- (ii) arise as a result of an aggregate overrun of NTS exit flat capacity at an NTS exit point;
- (iii) arise in respect of any NTS exit point in respect of which the licensee has notified a planned maintenance day in accordance with the network code; and/or
- (iv) Users are liable to reimburse to the licensee in accordance with the network code,

save that for all days in the interim exit period and the transitional exit period, ExBBCNLR_t shall have the value of zero (0).

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

This incentive shall apply, unless otherwise directed in writing by the Authority, in respect of the interim exit period and transitional exit period. 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 (ExCBBIIIR_t) shall be derived as follows:

- (i) For all days from the start of the enduring exit period (or such later date as the Authority may direct from time to time in writing) ExCBBIIIR_t shall have the value zero (0); and
- (ii) otherwise, ExCBBIIIR_t shall be derived from the following formula:

If $ExCBBIIIT_t \geq ExCBBICP_t$, then:

$$ExCBBIIIR_t = ExCBBICP_t + [ExCBBIUSF_t \times (ExCBBIIIT_t - ExCBBICP_t)]$$

Otherwise:

$$ExCBBIIIR_t = ExCBBICP_t + \\ \text{MAX} [ExCBBIDSF_t \times (ExCBBIIIT_t - ExCBBICP_t), \\ ExCBBICOL_t]$$

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;

ExCBBIUSF_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;

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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:

$$\text{ExCBBICP}_t = \text{ExCCMC}_t + \text{ExNTSIIC}_t$$

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:

$$\text{ExCCMC}_t = \sum_{\text{all } d} \text{ExBBC}_{d,t} + \sum_{\text{all } d} \text{ExCCC}_{d,t}$$

where:

ExBBC_{d,t} means the costs incurred by the licensee in the curtailment of rights to offtake gas from the

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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 later date as the Authority may direct from time to time 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:

$$\text{ExNTSIIC}_t = \sum_{\text{all } d} \left(\sum_{\text{all } y} \text{ExNTSIIC}_{y,d} \right)$$

where:

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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 (ExCBBIT_t) shall be derived in accordance with the following formula:

$$\text{ExCBBIT}_t = (\text{ExCBBIT}_t + \text{ExNTSIIT}_t) \times \text{RPIF}_t$$

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 later date as the Authority may direct from time to time in writing) ExNTSIIT_t shall take the values set out in the following table:

	Formula year	
Variable	t=6	t ≥ 7

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ExNTSIIT _t	£1,730,000	£1,680,000
£		

Comment [JC29]: Rebase to 2009-10 prices.

provided that, for the avoidance of doubt, where the relevant period commences on 1 April 2008 and ends on 30 September (inclusive), ExNTSIIT_t shall take a value being equal to the same proportion of £1,680,000 as the relevant period is to a complete formula year (that is £840,000).

Comment [JC30]: Update values as above.

(bb) for all days from 1 October 2008 (or such later date as the Authority may direct from time to time 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 later date as the Authority may direct from time to time in writing) shall be calculated as:

$$\text{ExCBBICOL}_t = -£\text{Xmillion} \times \text{RPIF}_t$$

Comment [JC31]: Rebase to 2009-10 prices

in each relevant formula year (or pro-rated to the relevant part thereof); and

(bb) for all days during the transitional exit period (or such later date as the Authority may direct from time to time in writing) shall be calculated:

$$\text{ExCBBICOL}_t = -£\text{Xmillion} \times \text{RPIF}_t$$

Comment [JC32]: rebase to 2009-10 prices

in each relevant formula year (or pro-rated to the relevant part thereof);

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(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:

$$1.1 \quad AExNTSIIC_t = \frac{ExNTSSIC_t}{\left(\sum_{all \ y} ExNTSC_y^{Jan15th} \times 15 \right)}$$

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.

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

(c)(i) Constrained storage target (ExCIT_t)

1.2 This target shall apply for all exit periods. 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 calculated as:

1.3 $ExCIT_t = RExCIT_t \times RPIF_t$

Variable	Formula year				
	t=6	t=7	t=8	t=9	t≥10
RExCIT _t	2,600,000	2,100,000	4,300,000	3,600,000	2,900,000
£				0	

Comment [JC33]: Rebase values to 2009-10 prices.

(c)(ii) Constrained storage cost (ExCC_t)

For the purposes of paragraph 1(b) of Special Condition C8G (NTS system operator internal incentives, costs and revenues) the term ExCC_t shall mean the payments made by the licensee in respect of 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 meaning given to those terms in the network code).

(d) Exit capacity investment incentive revenue (ExCIIR_t)

This incentive shall apply in respect of all exit periods. 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:

$$ExCIIR_t = (ExCIIR_{t, \text{projspec}} + ExCIIR_{t, \text{swquad}} + ExCIIR_{t, \text{newproj}}) \times RPIF_t$$

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where:

$ExCIIR_t^{proj\text{spec}}$ 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;

$ExCIIR_t^{sw\text{quad}}$ 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;

$ExCIIR_t^{new\text{proj}}$ means the revenue allowed in respect of formula year t, in respect of the anticipated projects set out in paragraph 1(d)(iii) of this condition

$RPIF_t$ is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence;

(i) Determination of $ExCIIR_t^{proj\text{spec}}$

$$ExCIIR_t^{proj\text{spec}} = \sum_{\text{all } p} (RDPROJSPEC_{p,t} \times INDEX_p \times CDEL_{p,t})$$

where:

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

$RDPROJSPEC_{p,t}$ 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	$RDPROJSPEC_{p,t}$ £ / year
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	£9,500,000

Comment [JC34]: Rebase values to 2009-10 prices, currently in 2005-06 prices.

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Anticipated project p

Project description

RDPROJSPEC_{p,t}

£ /year

Comment [JC34]: Rebase values to 2009-10 prices, currently in 2005-06 prices.

	previously been applied pursuant to paragraphs 1(d)(i) or 1(d)(ii) of this condition;	
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;	£5,500,000
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;	£4,500,000
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; and	£6,400,000
Grain power station	To deliver NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity of 55GWh/day at the Grain power station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i) or	£10,600,000

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Anticipated project p	Project description	RDPROJSPEC _{p,t} £ /year
	1(d)(ii) of this condition.	

Comment [JC34]: Rebase values to 2009-10 prices, currently in 2005-06 prices.

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 set out in the table below:

Comment [JC35]: To be extended to 2012-13 (bring into line with indexation in other conditions)

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 and later	1.14

- CDEL_{p,t} (A) shall take a value of one (1) in respect of formula year t and in the 4 subsequent formula years 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 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}

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Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

If: $\sum_{\text{all } z \text{ in swquad}} (\text{INCCAP}_{z,t} \times \text{DEL}_{z,t}) < 15 \text{ GWh/d}$

where:

$\text{INCCAP}_{z,t}$ means the NTS incremental exit flat capacity or NTS incremental exit shipper capacity or NTS obligated incremental exit flat capacity as set out in this paragraph 1(d)(ii) of this condition and shall be calculated as set out in this paragraph;

$\text{DEL}_{z,t}$ (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 $\text{INCCAP}_{z,t}$ is delivered in formula year t ; and

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

then: $\text{ExCIIR}_t^{\text{swquad}} = \text{£}820,000 \times \text{INCCAP}_t^{\text{swquad}}$

Comment [NDR36]: Rebase to 2009-10 prices. Need to establish current price base

Otherwise:

$$\text{ExCIIR}_t^{\text{swquad}} = 0$$

where:

$$\text{INCCAP}_t^{\text{swquad}} = \sum_{\text{all } z \text{ in swquad}} (\text{INCCAP}_{z,t} \times \text{RDEL}_{z,t} \times \text{INDEX}_z)$$

where:

$\sum_{\text{all } z \text{ in swquad}}$ means the sum across all NTS exit points z in the south west quadrant and which are as set out in the table below together

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with 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
Ilchester
Ipsden 1
Ipsden 2
Kenn
Littleton Drew
Lyneham

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Mappowder
Pucklechurch
Seabank DN
Winkfield SO
Winkfield SE
Winkfield NT
Abson (Seabank Power station phase I)
Seabank Power station phase II
Terra Nitrogen (aka ICI/ Terra Severnside)

$$INCCAP_{z,t} = TINCCAP_{z,t} + OIExC_{z,t}$$

where:

$TINCCAP_{z,t}$ means NTS incremental exit flat capacity or NTS incremental exit shipper capacity, registered or capable of being registered for the transitional exit period (or such later date as the Authority may direct from time to time 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), 1(d)(ii) or 1(d)(iii) of this condition, and:

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- (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(d)(v); and

OIEx_{C,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), 1(d)(ii) or 1(d)(iii) of this condition;

- RDEL_{z,t} (A) shall take a value of one (1) in respect of formula year t and the 4 subsequent formula years 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 shipper capacity, 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:

Comment [JC37]: Extend to 2012-13 and bring into line with other indexation mechanisms

Formula year in which the NTS incremental exit shipper capacity, 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

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2008/9	1.076
2009/10	1.097
2010/11	1.116
2011/12 and later	1.14

(iii) Determination of $ExCIIR_t^{newproj}$

$$ExCIIR_t^{newproj} = \sum_{all\ z} (INCCAP_{z,t} \times RDEL_{z,t} \times INDEX_z \times RDNEWPROJ_{z,t})$$

where

$INCCAP_{z,t}$ shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

$RDEL_{z,t}$ shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

$INDEX_z$ shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

$RDNEWPROJ_{z,t}$ means the revenue driver in (£/GWh/year) in formula year t for each new NTS exit point z set out in the table below.

NTS Exit Point z	Project description	$RDNEWPROJ_{z,t}$ £ / GWh / year	Comment [JC38]: Rebase to 2009-10 prices. Currently in 2005-06 prices
Gilwern	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 20.215 GWh/day at Gilwern in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)	£1,304	
Barking (Horndon)	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 23.8 GWh/day at Barking (Horndon) in respect of which a revenue	£171,895	

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NTS Exit Point z	Project description	RDNEWPROJ _{z,t}	Comment [JC38]: Rebase to 2009-10 prices. Currently in 2005-06 prices
		£ / GWh/year	
	driver has not previously been applied pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)		
Coryton 2 (Thames Haven) Power Station	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 46.2 GWh/day at Coryton 2 (Thames Haven) Power Station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)	£129,552	

(e) Long run contracting incentive revenue (ExLRCIR_t)

This incentive shall apply, unless otherwise directed in writing by the Authority, in respect of the enduring exit period. 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 the end of the transitional exit period (or such later date as the Authority may direct from time to time 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 that the licensee is obliged to offer for sale 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;

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

ExLRCIT_t means the long run contracting incentive target in respect of formula year t and shall be calculated as:

(A) $ExLRCIT_t = \text{£Xmillion} \times RPIF_t$

Comment [JC39]: In 2009-10 prices

in each relevant and complete formula year; and

(B) in respect of each relevant and partial formula year, the same proportion of (£Xmillion x RPIF_t) as the relevant period is to a complete formula year.

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

This incentive shall apply, unless otherwise directed in writing by the Authority, in respect of the enduring exit period. 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 $ExREVNOC_t \geq ExNOCIT_t$, then:

$$ExNOCIR_t = \text{MIN} [ExNOCUSF_t \times (ExREVNOC_t - ExNOCIT_t), ExNOCCAP_t]$$

Otherwise:

$$ExNOCIR_t = 0$$

where:

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ExREVNOC_t means the revenue allowance 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 per cent 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 be calculated as:

(i) $ExNOCCAP_t = \text{£Xmillion} \times RPIF_t$

Comment [JC40]: in 2009-10 prices

in respect of each relevant and complete formula year; and

(ii) in respect of each relevant and partial formula year, the same proportion of (£Xmillion × RPIF_t) as the relevant period is to a complete formula year.

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

This incentive shall apply, unless otherwise directed in writing by the Authority, in respect of the enduring exit period. 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 shall be derived as follows:

$$ExXSIBBC_t = \text{MAX} (0, (ExIBBC_t - \text{MIN}(ExIBBCAP_t, ExIBBE_t)))$$

where:

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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;

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 be calculated as:

(i) $ExIBBCAP_t = \text{£Xmillion} \times RPIF_t$

Comment [JC41]: in 2009-10 prices

in respect of each relevant and complete formula year; and

(ii) in respect of each relevant and partial formula year, the same proportion of (£Xmillion × RPIF_t) 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 following the application of a monthly cap (ExIBBCAP_{m,t}) and shall be derived in accordance with the following formula:

$$ExIBBE_t = \sum_{allm} (MIN (ExIBBC_{m,t}, ExIBBCAP_{m,t}))$$

where:

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.

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

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take a value of £Xmillion x RPIF_t in each month of each relevant formula year.

Comment [JC42]: in 2009-10 prices

However, in deriving ExIBBC_t, the licensee shall use reasonable endeavours to ensure that it does not pay more than 0.52p/kWh/day in respect of exit capacity constraint management costs in respect of NTS obligated incremental exit flat capacity. This obligation shall apply until that NTS obligated incremental exit flat capacity has been delivered.

Comment [JC43]: Update??

For the purposes of this paragraph, the licensee may submit a report to the Authority demonstrating how it considers that it has met these obligations. Where the Authority considers that the licensee has used reasonable endeavours to satisfy the obligation referred to in that paragraph, the Authority may direct in writing that the licensee has satisfied its obligation thereunder.

(h) Charges foregone (ExNTSSIC_t)

This incentive shall apply, unless otherwise directed in writing by the Authority, in respect of the interim exit period and transitional exit period. For the purposes of paragraphs 1(a), 1(b)(ii)(E) 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:

$$\text{ExNTSSIC}_t = \sum_{\text{all } d} \left(\sum_{\text{all } y} \text{ExC}_{y,d} \times \text{ExIPK}_{y,d} \right)$$

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

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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:

$$\text{ExIPK}_{y,d} = \text{ExUCC}_{y,d} - \text{ExFC}_{y,d}$$

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 the start of the enduring exit period (or such later date as the Authority may direct from time to time in writing), ExNTSSIC_t shall have the value zero (0).

(i) Buy back cost allocation rules

For the purposes of this condition, in the enduring exit period, the licensee is not permitted to recover:

(aa) any costs for NTS exit constraint management other than those arising from delays in the delivery of NTS obligated incremental exit flat capacity, which would be included in ExIBBC_t

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(bb) any costs for NTS exit constraint management other than those arising from delays in the delivery of NTS baseline exit flat capacity that the licensee is obliged to offer for sale 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, which would be included in $ExLRCCP_t$.

(cc) any costs incurred by the licensee in respect of NTS exit constraint management other than those costs which fall within the definition of $ExBBCNLR_t$ in paragraph 1(a) above.

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:

$TOExRF_t$ shall, in respect of the interim exit period and the transitional exit period, mean the revenue derived by the licensee in respect of formula year t in respect of charges levied on relevant shippers in respect of its provision of NTS baseline exit shipper capacity. In the enduring exit period, this term shall take the value of zero;

$ExNTSSIC_t$ shall, in respect of the interim exit period and the transitional exit period, mean 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. In the enduring exit period, this term shall take the value of zero; and

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

(i) TOREVBExC_t

This shall apply, unless otherwise directed in writing by the Authority, in respect of the enduring exit period. For the purposes of paragraph 2(a) of this condition and in respect of all days from the start of the enduring exit period (or such later date as the Authority may direct from time to time in writing), TOREVBExC_t means the revenue derived by the licensee in respect of formula year t from the sale of NTS baseline exit flat capacity,

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

(b) NTS system operation revenues (SOExRF_t)

This term shall apply, unless otherwise directed in writing by the Authority, in respect of all exit periods. 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:

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

where:

TOEx_t this term shall apply in respect of the interim exit period and transitional exit period and 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 except that for all days from the start of the enduring exit period (or such later date as

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the Authority may direct from time to time in writing), $TOEx_t$ shall have the value zero (0);

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

$REVOIExC_t$ this term shall apply, unless otherwise directed in writing by the Authority, in respect of the enduring exit period and means the revenue derived by the licensee in respect of formula year t from sales of NTS obligated incremental exit flat capacity;

$ExREVNOC_t$ this term shall apply, unless otherwise directed in writing by the Authority, in respect of the enduring exit period and 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 paragraph 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:

- (A) For all days until the end of the transitional exit period (inclusive) (or such later date as the Authority may direct from time to time in writing) $ExREVNOC_t$ shall have the value zero (0); and
- (B) otherwise, $ExREVNOC_t$ shall be derived from the following formula:

$$ExREVNOC_t = REVOIExC_t + REVIExC_t$$

Where:

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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; and

REVIExC_t means the revenue derived by the licensee in respect of formula year t from the sale of NTS off-peak exit (flat) capacity;

3. Capacity release obligation

- (a) In respect of all exit periods, the licensee shall release NTS exit capacity in accordance with the statement made pursuant to Special Condition C18 (Licensee's methodology for determining the release of NTS exit capacity volumes).
- (b) In respect of the enduring exit period, the licensee shall, in relation to all NTS exit capacity registered or capable of being registered in respect of a day on or after the start of the enduring exit period (or such later date as the Authority may direct from time to time in writing), use all reasonable endeavours, unless and insofar as the Authority may otherwise direct from time to time in writing, to offer for sale:
 - (i) in respect of any NTS exit point, and any day in formula year t, all NTS baseline exit flat capacity 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); and
 - (ii) in respect of any NTS exit point, and any day in formula year t, all NTS obligated incremental exit flat capacity 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).

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- (c) For the purposes of paragraph 3(b), the licensee shall use reasonable endeavours, unless and insofar as the Authority may otherwise direct from time to time in writing, to:
 - (i) substitute unsold NTS baseline exit flat capacity between NTS exit points in accordance with the methodology statement from time to time in force pursuant to paragraph 4(b) of this condition such that the level of NTS obligated incremental exit flat capacity is minimised;
 - (ii) revise the level of NTS baseline exit flat capacity in accordance with the methodology statement from time to time in force pursuant to paragraph 4(c) of this condition in the event that the release of incremental obligated entry capacity changes the availability of NTS exit capacity.
- (d) Where the licensee intends to modify the level of NTS baseline exit flat capacity as a result of exit capacity substitution or exit capacity revision as a result of its obligations set out in paragraph 3(c) of this condition, the licensee shall modify the level of NTS baseline exit flat capacity in accordance with the provisions of paragraph 4(a) of this condition.

4. Statements required from the licensee

(a) NTS exit capacity baseline statement

- (i) The licensee shall, by 1 April 2008 or such later date as the Authority may otherwise direct in writing, prepare and submit for approval by the Authority an exit capacity baseline statement, setting out the level of NTS baseline exit flat capacity which is to be offered for sale (the "NTS exit capacity baseline statement").
- (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(a)(i) of this condition) the NTS exit capacity baseline statement shall come in to force from the earlier of:

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(aa) the date of receipt of a notice from the Authority approving the statement; or

(bb) the date being two months after the statement was submitted to the Authority.

- (iii) The licensee shall modify the NTS exit capacity baseline statement within 7 days of consent being granted by the Authority pursuant to paragraph 4(a)(ix) of this condition in response to the licensee's proposal, made pursuant to paragraph 4(a)(iv) of this condition, in a manner consistent with the licensee's proposal.

Process for modifying NTS baseline exit flat capacity

- (iv) The licensee shall provide the Authority with a written statement of any proposed exit capacity substitution or exit capacity revision in accordance with its obligations under paragraphs 3(c) of this condition.

- (v) The statement referred to in paragraph 4(a)(i) of this condition shall include the following:

(aa) The NTS exit point(s) to which the proposed exit capacity substitution or exit capacity revision relate;

(bb) The proposed changes in volume of NTS baseline exit flat capacity in GWh per day at those NTS exit points;

(cc) The date from which it is proposed that the changes in volume of NTS baseline exit flat capacity should take effect; and

(dd) such information necessary to demonstrate that the licensee has determined its proposals for exit capacity substitution or exit capacity revision in accordance with the methodology statements prepared

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pursuant to paragraphs 4(b) and 4(c) of this condition including the derivation of relevant exchange rates.

- (vi) The licensee shall keep a record of the statement made pursuant to paragraph 4(a)(iii) of this condition for seven (7) years after it has provided that statement to the Authority.
- (vii) The licensee shall provide the Authority with such additional information as the Authority may reasonably request for the purposes of ascertaining the basis upon which the licensee has determined its proposals for exit capacity substitution or exit capacity revision in order for the Authority to establish whether the licensee has complied with its obligations pursuant to paragraphs 3(c);
- (viii) The licensee shall publish the statement within twenty-eight (28) days of making it available to the Authority (unless the Authority otherwise directs 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 that person's interests;
- (ix) The Authority shall consider the information provided by the licensee pursuant to paragraphs 4(a)(v)(dd) and 4(a)(vii) of this condition and shall determine whether to consent to the proposed exit capacity substitution or exit capacity revision set out in the statement made pursuant to paragraph 4(a)(iv);
- (x) Any consent granted by the Authority pursuant to paragraph 4(a)(ix) of this condition shall be:
 - (aa) in writing;
 - (bb) copied to the licensee;
 - (cc) published by the Authority; and
 - (dd) include any relevant information provided by the licensee and used by the Authority for the purposes of making the direction;

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- (xi) Consent pursuant to paragraph 4(a)(ix) of this condition shall be deemed to be granted if the Authority has not objected to the proposed modification within 28 days of the licensee providing the statement pursuant to paragraph 4(a)(iv).

(b) Exit substitution methodology statement

- (i) The licensee shall, on or before 1 April 2008 or such later date as the Authority may direct in writing, prepare and submit for approval by the Authority an exit capacity substitution methodology statement, setting out the exit capacity substitution methodology which it shall use to substitute NTS exit capacity.
- (ii) Unless the Authority otherwise directs (such direction to be made within two months of the receipt by the Authority of a statement prepared pursuant to paragraph 4(b)(i) of this condition, or within three months if the Authority intends to undertake an impact assessment, the intention of which the Authority shall notify the licensee in writing within a reasonable time after receiving that statement) the licensee shall, when substituting NTS exit capacity, use reasonable endeavours to apply the methodology set out in that statement, from the earlier of:
 - (aa) the date of receipt of a notice from the Authority approving the statement; or
 - (bb) the date being two months after the statement was submitted to the Authority or three months after the statement was submitted if the Authority indicates its intention to undertake an impact assessment.
- (iii) The licensee shall if so directed by the Authority and in any event at least once a year, review the exit capacity substitution methodology prepared pursuant to paragraph 4(b)(i) of this condition in consultation with relevant shippers, DN operators and interested parties and seek to make such modifications as it considers reasonably necessary to better meet the objectives (the “exit capacity substitution objectives”) set out below:

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- (aa) ensuring that exit capacity substitution is effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
 - (bb) avoiding material increases in the costs (including NTS exit constraint management costs in respect of NTS exit capacity previously allocated by the licensee to relevant shippers or DN operators) that are reasonably expected to be incurred by the licensee as a result of substituting NTS exit capacity; and
 - (cc) in so far as is consistent with (aa) and (bb) above, facilitating effective competition between relevant shippers.
- (iv) Except where the Authority directs otherwise, before submitting the exit capacity substitution methodology statement prepared pursuant to paragraph 4(b)(i) of this condition or before modifying its exit capacity substitution methodology statement, the licensee shall:
- (aa) when modifying its exit capacity substitution methodology statement, send a copy of the proposed modifications to the Authority and to any person who asks for one;
 - (bb) consult relevant shippers, DN operators and interested parties and allow them a period of not less than 28 days in which to make representations;
 - (cc) within 14 days of the close of the consultation referred to in paragraph 4(b)(iv)(bb) of this condition submit to the Authority a report setting out:
 - (A) the modifications originally proposed (if any);
 - (B) the representations made by relevant shippers, DN operators and interested parties (if any) to the licensee and not withdrawn; and

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- (C) any changes to the modifications proposed as a result of such representations;
- (dd) where the Authority directs that sub-paragraphs (aa), (bb) and (cc) of paragraph 4(b)(iv) of this condition or any of them shall not apply, comply with such other reasonable requirements as are specified in that direction.
- (v) The licensee shall be entitled to modify its exit capacity substitution methodology statement at any time pursuant to paragraph 4(b)(iii) of this condition, save that it shall not modify such statement:
 - (aa) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intention of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 4(b)(iv)(cc) of this condition) from the date on which the Authority receives the report referred to in paragraph 4(b)(iv)(cc) of this condition the Authority directs the licensee not to make the modification; or
 - (bb) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment the intention of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 4(b)(iv)(cc) of this condition) from the date on which the Authority receives the report referred to in paragraph 4(b)(iv)(cc) of this condition; or
 - (cc) where paragraph 4(b)(iv)(dd) in this condition applies, before the day as agreed with the licensee and specified in any direction made pursuant to that paragraph.
- (vii) The licensee shall make the exit capacity substitution methodology statement from time to time applicable to the pipeline system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).

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(c) Exit revision methodology statement

- (i) The licensee shall, on or before 1 April 2008 or such later date as the Authority may direct in writing, prepare and submit for approval by the Authority an exit capacity revision methodology statement, setting out the exit capacity revision methodology which it shall use to revise the level of NTS baseline exit flat capacity as a result of its obligations set out in paragraphs 3(c)(ii) and 3(c)(iii) of this condition.
- (ii) Unless the Authority otherwise directs (such direction to be made within two months of the receipt by the Authority of a statement prepared pursuant to paragraph 4(c)(i) of this condition or within three months if the Authority intends to undertake an impact assessment, the intention of which the Authority shall notify the licensee in writing within a reasonable time after receiving the statement) the licensee shall, when revising the level of NTS baseline exit flat capacity, use reasonable endeavours to apply the methodology set out in that statement, from the earlier of:
 - (aa) the date of receipt of a notice from the Authority approving the statement; or
 - (bb) the date being two months after the statement was submitted to the Authority or three months after the statement was submitted if the Authority indicates its intention to undertake an impact assessment.
- (iii) The licensee shall, if so directed by the Authority, and in any event at least once a year, review the exit capacity revision methodology set out in the statement prepared pursuant to paragraph 4(c)(i) of this condition in consultation with relevant shippers, DN operators and interested parties and seek to make such modifications as it considers reasonably necessary to better meet the exit capacity revision objectives (the “exit capacity revision objectives”) set out below:

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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- (aa) ensuring that exit capacity revision is effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
 - (bb) avoiding material increases in the costs (including NTS exit capacity constraint management costs in respect of NTS exit capacity previously allocated by the licensee to relevant shippers or DN operators) that are reasonably expected to be incurred by the licensee as a result of revising the level of NTS baseline exit capacity; and
 - (cc) in so far as is consistent with (aa) and (bb) above, facilitating effective competition between relevant shippers.
- (iv) Except where the Authority directs otherwise, before submitting the exit capacity revision methodology statement pursuant to paragraph 4(c)(i) of this condition or before modifying its exit capacity revision methodology statement, the licensee shall:
- (aa) when modifying its exit capacity revision methodology statement, send a copy of the proposed modifications to the Authority and to any person who asks for one;
 - (bb) consult relevant shippers, DN operators and interested parties and allow them a period of not less than 28 days in which to make representations;
 - (cc) within 14 days of the close of the consultation referred to in paragraph 4(c)(iv)(bb) of this condition submit to the Authority a report setting out:
 - (A) the modifications originally proposed (if any);
 - (B) the representations made by relevant shippers, DN operators and interested parties (if any) to the licensee and not withdrawn; and

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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- (C) any changes to the modifications proposed as a result of such representations;
- (dd) where the Authority directs that sub-paragraphs (aa), (bb) and (cc) of this paragraph or any of them shall not apply, comply with such other reasonable requirements as are specified in that direction.
- (v) The licensee shall be entitled to modify its exit capacity revision methodology statement at any time pursuant to paragraph 4(c)(iii) of this condition, save that it shall not modify such statement:
 - (aa) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment the intention of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 4(c)(iv)(cc) of this condition) from the date on which the Authority receives the report referred to in paragraph 4(c)(iv)(cc) of this condition the Authority directs the licensee not to make the modification; or
 - (bb) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment the intention of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 4(c)(iv)(cc) of this condition) from the date on which the Authority receives the report referred to in paragraph 4(c)(iv)(cc) of this condition; or
 - (cc) where paragraph 4(c)(iv)(dd) in this condition applies, before the day as agreed with the licensee and specified in any direction made pursuant to that paragraph.
- (vii) The licensee shall make the exit capacity revision methodology statement from time to time applicable to the pipeline system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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(d) Report of incremental investment in the transitional period

- (i) In respect of each formula year commencing on or after 1 April 2008, the licensee shall, by 30 April of that formula year (or such other date as the Authority may direct in writing), provide the Authority with a written report in respect of NTS incremental exit capacity which has been registered or is likely to be registered within the transitional exit period (inclusive) (or such dates that the Authority otherwise directs in writing).
- (ii) The report referred to in paragraph 4(d)(i) of this condition shall include the following:
 - (aa) the NTS exit point(s) at which the NTS incremental exit capacity has been registered or is likely to be registered;
 - (bb) the volume of such NTS incremental exit capacity in GWh per day by NTS exit point;
 - (cc) the date from which such NTS incremental exit capacity has been registered or is likely to be registered; and
 - (dd) where the licensee has not received:
 - (A) a specific user commitment as defined in the statement published pursuant to paragraph 1 of Special Condition C18 (Licensee's methodology for determining the release of exit capacity volumes); and
 - (B) a determination has not already been made by the Authority pursuant to paragraph 4(d)(v) 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.

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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(iii) The licensee shall keep a record of the report made pursuant to paragraph 4(d)(i) of this condition for seven (7) years following publication.

(iv) The licensee shall publish the report referred to in paragraph 4(d) of this condition within twenty-eight (28) days of making it available to the Authority (unless the Authority otherwise directs in writing) provided that the licensee shall exclude from the published report, 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.

(v) The Authority may direct that NTS incremental exit capacity, where the licensee has not received a specific user commitment for such capacity, may be treated, for the purposes of ExCIIR_t (pursuant to paragraph 1(d)(ii)), as if such a user commitment had been received.

(vi) For the purposes of paragraph 4(d)(v), the Authority may request any information that it considers reasonably necessary to determine that there was or would be sufficient demand to justify the provision of such NTS incremental exit capacity.

(vii) Any direction made by the Authority pursuant to paragraph 4(d)(v) of this condition shall:

(aa) be in writing;

(bb) be copied to the licensee;

(cc) be published by the Authority; and

(dd) include any relevant information provided by the licensee and used by the Authority for the purposes of making the direction.

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

(i) Where the licensee proposes to treat capacity it has allocated as NTS obligated incremental exit flat capacity, the licensee shall provide the Authority with a written statement of its proposal within two months of the relevant allocation. .

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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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 relates ;
 - (B) The volume of such NTS obligated incremental exit flat capacity in GWh per day by NTS exit point;
 - (C) The date from which such NTS obligated incremental exit flat capacity 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 cannot be satisfied in full by the substitution or revision of NTS baseline exit flat capacity pursuant to paragraphs 3(a)(iii) and 3(a)(iv) of this condition.
- (iii) (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) (iv) The licensee shall provide the Authority with such additional information as the Authority may reasonably request for the purposes of ascertaining the reason or reasons why the licensee considered that the substitution or revision of NTS baseline exit flat capacity could not satisfy in full the demand triggering such NTS obligated incremental exit flat capacity pursuant to paragraph 4(e)(ii)(D) of this condition in order for the Authority to establish whether the licensee has complied with the substitution obligation pursuant to paragraph 3(c)(i) of this condition.

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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- (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 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 that person's interests.

(f) Statement of actual interruption

- (i) The licensee shall, unless otherwise directed by the Authority in writing, 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 have been 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 onto 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(f)(i) of this condition for at least seven (7) years following publication.

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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5. **Project permits**

Comment [NDR44]: Under review

- a) This scheme shall apply, unless otherwise directed by the Authority in writing, in respect of the enduring exit period.
- b) The licensee may, with the consent of the Authority, vary the lead time for the contractual delivery of NTS obligated incremental exit flat capacity at an individual NTS exit point from the NTS exit flat release default lead time. Consent shall be deemed to have been granted if:
 - (i) the licensee is proposing to reduce the lead time for the contractual delivery to a period of less than the NTS exit flat release default lead time

or

 - (ii) if the volume of NTS exit capacity being deferred (in units of GWh per day) is, at day n, less than the licensee's "exit lead time deferment volume entitlement" defined in paragraph 5(d).
- c) The licensee shall notify the Authority in writing and in a timely manner of each instance where it varies the lead time for the contractual delivery of NTS incremental exit flat capacity from the the NTS exit flat release default lead time, specifying:
 - (i) The NTS exit point affected;
 - (ii) The volume of capacity (in units of GWh per day) for which the contractual delivery date is being brought forward; or
 - (iii) The volume of capacity (in units of GWh per day) for which the contractual delivery date is being put back.
- d) The licensee's exit lead time deferment volume entitlement on day n ($LTDVEx_n$) (in units of GWh per day) shall be calculated in accordance with the following formula:

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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$$LTDVEx_n = 10,950 + \sum_{v,n-1} DLDVEx_v$$

Comment [NDR45]: Permit Scheme under review

where

$DLDVEx_v$ means the variation v to the lead time for contractual delivery pursuant to notices provided to the Authority under paragraph 5(c) of this condition;

v indexes each variation pursuant to paragraph 5(c) of this condition; and

$DLDVEx_v$ shall, where there are have been no variations to the lead time for contractual delivery ($v=0$), take the value zero (0).

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Annex A to Special Condition C8E (NTS gas exit incentives, costs and revenues)

Table 1 –NTS baseline exit flat capacity and NTS baseline exit shipper capacity

Offtake Point	Type of Offtake	Transitional baseline (GWh/day)
Bacton	GDN (EA)	3.66
Brisley	GDN (EA)	3.11
Cambridge	GDN (EA)	0
Great Wilbraham	GDN (EA)	35.59
Matching Green	GDN (EA)	83.85
Peterborough Eye (Tee)	GDN (EA)	25.45
Roudham Heath	GDN (EA)	14.7
Royston	GDN (EA)	2.67
Whitwell	GDN (EA)	161.87
West Winch	GDN (EA)	11.69
Yelverton	GDN (EA)	84.44
Alrewas (EM)	GDN (EM)	92.15
Blaby	GDN (EM)	11.03
Blyborough	GDN (EM)	90.89
Caldecott	GDN (EM)	11.08
Thornton Curtis (DN)	GDN (EM)	106.64
Drointon	GDN (EM)	107.51
Gosberton	GDN (EM)	15.79
Kirkstead	GDN (EM)	1.21
Market Harborough	GDN (EM)	9.48
Silk Willoughby	GDN (EM)	3.53
Sutton Bridge	GDN (EM)	1.15
Tur Langton	GDN (EM)	82.52
Walesby	GDN (EM)	0.93
Asselby	GDN (NE)	3.64
Baldersby	GDN (NE)	1.34
Burley Bank	GDN (NE)	20.31
Ganstead	GDN (NE)	23.15
Pannal	GDN (NE)	148.41
Paull	GDN (NE)	38.14
Pickering	GDN (NE)	9.38
Rawcliffe	GDN (NE)	3.42
Towton	GDN (NE)	81.13
Bishop Auckland	GDN (NO)	69.26
Coldstream	GDN (NO)	1.93
Corbridge	GDN (NO)	0.07
Cowpen Bewley	GDN (NO)	53.71
Elton	GDN (NO)	33.26

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Guyzance	GDN (NO)	2.19
Humbleton	GDN (NO)	0.15
Keld	GDN (NO)	1.7
Little Burdon	GDN (NO)	17.75
Melkinthorpe	GDN (NO)	0.34
Saltwick Pressure Controlled	GDN (NO)	9.22
Saltwick Volumetric Controlled	GDN (NO)	69.26
Thrintoft	GDN (NO)	5.16
Towlaw	GDN (NO)	0.55
Wetheral	GDN (NO)	26.86
Horndon	GDN (NT)	46.41
Luxborough Lane	GDN (NT)	165.3
Peters Green	GDN (NT)	348.98
Peters Green South Mimms	GDN (NT)	0
Winkfield (NT)	GDN (NT)	15.91
Audley (NW)	GDN (NW)	8.2
Blackrod	GDN (NW)	136.81
Ecclestone	GDN (NW)	21.14
Holmes Chapel	GDN (NW)	20.83
Lupton	GDN (NW)	16.23
Malpas	GDN (NW)	0.49
Mickle Trafford	GDN (NW)	29.58
Partington	GDN (NW)	96.29
Samlesbury	GDN (NW)	140.68
Warburton	GDN (NW)	107.25
Weston Point	GDN (NW)	30.64
Aberdeen	GDN (SC)	38.44
Armadale	GDN (SC)	3.01
Balgray	GDN (SC)	11.4
Bathgate	GDN (SC)	24.22
Broxburn	GDN (SC)	64.37
Burnhervie	GDN (SC)	0
Careston	GDN (SC)	3.05
Drum	GDN (SC)	77.53
St Fergus	GDN (SC)	0.88
Glenmavis	GDN (SC)	145.79
Hume	GDN (SC)	1.22
Kinknockie	GDN (SC)	2.35
Langholm	GDN (SC)	0.15
Lauderhill	GDN (SC)	0
Lockerbie	GDN (SC)	5.7
Netherhowcleugh	GDN (SC)	0.2
Pitcairngreen	GDN (SC)	1.59
Soutra	GDN (SC)	8.94
Stranraer	GDN (SC)	0.68

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Farningham	GDN (SE)	135.12
Farningham B	GDN (SE)	0
Shorne	GDN (SE)	67.06
Tatsfield	GDN (SE)	276.46
Winkfield (SE)	GDN (SE)	106.26
Braishfield A	GDN (SO)	99.23
Braishfield B	GDN (SO)	46.65
Crawley Down	GDN (SO)	0
Hardwick	GDN (SO)	118.68
Ipsden	GDN (SO)	12.39
Ipsden 2	GDN (SO)	14.25
Mappowder	GDN (SO)	47.68
Winkfield (SO)	GDN (SO)	79.91
Aylesbeare	GDN (SW)	22.75
Cirencester	GDN (SW)	9.18
Coffinswell	GDN (SW)	0
Easton Grey	GDN (SW)	30.89
Evesham	GDN (SW)	6.58
Fiddington	GDN (SW)	26.64
Ilchester	GDN (SW)	33.07
Kenn	GDN (SW)	70.91
Littleton Drew	GDN (SW)	2.84
Lyneham (Choakford)	GDN (SW)	0
Pucklechurch	GDN (SW)	28.38
Ross (SW)	GDN (SW)	4.28
Seabank (DN)	GDN (SW)	57.62
Alrewas (WM)	GDN (WM)	130.79
Aspley	GDN (WM)	84.65
Audley (WM)	GDN (WM)	21.83
Austrey	GDN (WM)	86.09
Leamington	GDN (WM)	4.26
Lower Quinton	GDN (WM)	29.91
Milwich	GDN (WM)	21.04
Ross (WM)	GDN (WM)	16.52
Rugby	GDN (WM)	80.08
Shustoke	GDN (WM)	44.76
Stratford-upon-Avon	GDN (WM)	4.68
Maelor	GDN (WN)	57.56
Dowlais	GDN (WS)	113.11
Dyffryn Clydach	GDN (WS)	47.92
Gilwern	GDN (WS)	46.67
Abernedd Power Station	DC	0
Abson (Seabank Power Station phase I)	DC – FIRM	27.8
Bacton (Great Yarmouth)	DC – FIRM	20.04

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Barking (Horndon)	DC – INTERRUPTIBLE	58.59
Barrow (Black Start)	DC	0
Billingham ICI (Terra Billingham)	DC – FIRM	43.54
Bishop Auckland (test facility)	DC	0
Blackness (BP Grangemouth)	DC – FIRM	27.29
Blyborough (Brigg)	DC – INTERRUPTIBLE	16.89
Blyborough (Cottam)	DC – INTERRUPTIBLE	17.54
Brine Field (Teesside) Power Station	DC	0
Burton Point (Connahs Quay)	DC – INTERRUPTIBLE	73.21
Caldecott (Corby Power Station)	DC – FIRM	21.12
Carrington (Partington) Power Station	DC	0
Centrax Industrial	DC	0
Coryton 2 (Thames Haven) Power Station	DC	0
Deeside	DC – FIRM	28.48
Didcot A	DC – INTERRUPTIBLE	0
Didcot B	DC – FIRM	50.47
Drakelow Power Station	DC	0
Eastoft (Keadby Blackstart)	DC – INTERRUPTIBLE	2.38
Eastoft (Keadby)	DC – FIRM	36.06
Enron Billingham	DC – INTERRUPTIBLE	121.51
Epping Green (Enfield Energy, aka Brimsdown)	DC – FIRM	18.41
Ferny Knoll (AM Paper)	DC – FIRM	1.08
Goole (Guardian Glass)	DC – FIRM	1.62
Gowkhall (Longannet)	DC – FIRM	43.32
Grain Power Station	DC	0
Harwarden (Shotton, aka Shotton Paper)	DC – FIRM	11.59
Hatfield Power Station	DC	0
Hollingsgreen (Hays Chemicals)	DC – INTERRUPTIBLE	3.25
Langage Power Station	DC	0
Marchwood Power Station	DC	0

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC - INTERRUPTIBLE	38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC - FIRM	40.94
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	433.4
Pembroke Power Station	DC	0
Peterborough (Peterborough Power Station)	DC - INTERRUPTIBLE	23.28
Phillips Petroleum, Teesside	DC	3.69
Pickmere (Winnington Power, aka Brunner Mond)	DC - FIRM	15.38
Roosecote Power Station (Barrow)	DC - INTERRUPTIBLE	14.73
Rosehill (Saltend Power Station)	DC - FIRM	57.83
Ryehouse	DC - FIRM	38.66
Saddle Bow (Kings Lynn)	DC - FIRM	17.98
Saltend BPHP (BP Saltend HP)	DC - FIRM	9.1
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC - FIRM	4.55
Seabank (Seabank Power Station phase II)	DC - FIRM	19.1
Sellafield Power Station	DC - INTERRUPTIBLE	12.35
Shellstar (aka Kemira, not Kemira CHP)	DC	16.24
Spalding 2 (South Holland) Power Station	DC	0
Shotwick (Bridgewater Paper)	DC - FIRM	5.52
St. Fergus (Shell Blackstart)	DC	0
St. Fergus (Peterhead)	DC - FIRM	108.3
St. Neots (Little Barford)	DC - FIRM	35.2
Stallingborough (phase 2)	DC - FIRM	28.16
Stallingborough (phase 1)	DC - FIRM	38.34
Stanford Le Hope (Coryton)	DC - FIRM	36.61
Staythorpe PH1	DC - FIRM	38.12
Staythorpe PH2	DC - FIRM	38.12
Sutton Bridge Power Station	DC - FIRM	37.47
Teesside (BASF, aka BASF Teesside)	DC - FIRM	9.75
Teesside Hydrogen	DC - FIRM	6.61
Terra Nitrogen (aka ICI, Terra Severnside)	DC - FIRM	0.65

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Gas Transporter licensee (NTS) (company number 2006000): Special Conditions Consolidated – 01/05/2011

Thornton Curtis (Humber Refinery, aka Immingham)	DC - FIRM	46.89
Thornton Curtis (Killingholme)	DC	81.22
Tonna (Baglan Bay)	DC - FIRM	26.75
Upper Neeston (Milford Haven Refinery)	DC	0
West Burton Power Station	DC	0
Weston Point (Castner Kelner, aka ICI Runcorn)	DC - FIRM	11.7
Weston Point (Rocksavage)	DC - FIRM	38.19
Wragg Marsh (Spalding)	DC - FIRM	42.02
Wyre Power Station	DC	0
Zeneca (ICI Avecia, aka 'Zenica')	DC - FIRM	0.11
Bacton (Baird)	STORAGE SITE	0
Barrow (Bains)	STORAGE SITE	0
Barrow (Gateway)	STORAGE SITE	0
Caythorpe	STORAGE SITE	0
Hatfield Moor Max Refill	STORAGE SITE	30.21
Holford	STORAGE SITE	0
Hole House Max Refill	STORAGE SITE	119.58
Partington Max Refill	STORAGE SITE	2.41
Stublach (Cheshire)	STORAGE SITE	0
Glenmavis Max Refill	STORAGE SITE	1.62
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	0
Avonmouth Max Refill	STORAGE SITE	0
Dynevor Max Refill	STORAGE SITE	2.61
Garton Max Refill (Aldbrough)	STORAGE SITE	211.01
Hornsea Max Refill	STORAGE SITE	22.43
Rough Max Refill	STORAGE SITE	160
Bacton (IUK)	INTERCONNECTOR	623.58
Bacton (BBL)	INTERCONNECTOR	0

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Gas Transporter licensee (NTS) (company number 2006000): Special Conditions Consolidated – 01/05/2011

Table 2 –NTS baseline exit flat capacity

Offtake Point	Type of Offtake	Enduring flat baseline (GWh/day)
Bacton	GDN (EA)	3.66
Brisley	GDN (EA)	3.11
Cambridge	GDN (EA)	0
Great Wilbraham	GDN (EA)	35.59
Matching Green	GDN (EA)	92.31
Peterborough Eye (Tee)	GDN (EA)	25.45
Roudham Heath	GDN (EA)	25.46
Royston	GDN (EA)	2.70
Whitwell	GDN (EA)	161.87
West Winch	GDN (EA)	12.26
Yelverton	GDN (EA)	64.61
Alrewas (EM)	GDN (EM)	139.87
Blaby	GDN (EM)	13.40
Blyborough	GDN (EM)	79.33
Caldecott	GDN (EM)	11.08
Thornton Curtis (DN)	GDN (EM)	118.15
Drointon	GDN (EM)	74.27
Gosberton	GDN (EM)	15.23
Kirkstead	GDN (EM)	1.21
Market Harborough	GDN (EM)	9.48
Silk Willoughby	GDN (EM)	3.53
Sutton Bridge	GDN (EM)	1.71
Tur Langton	GDN (EM)	65.67
Walesby	GDN (EM)	0.97
Asselby	GDN (NE)	3.92
Baldersby	GDN (NE)	1.34
Burley Bank	GDN (NE)	20.31
Ganstead	GDN (NE)	23.15
Pannal	GDN (NE)	148.41
Paull	GDN (NE)	38.14
Pickering	GDN (NE)	9.38
Rawcliffe	GDN (NE)	3.55
Towton	GDN (NE)	80.73
Bishop Auckland	GDN (NO)	62.13
Coldstream	GDN (NO)	1.96
Corbridge	GDN (NO)	0.07
Cowpen Bewley	GDN (NO)	52.12
Elton	GDN (NO)	38.27
Guyzance	GDN (NO)	2.19
Humbleton	GDN (NO)	0.16

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Gas Transporter licensee (NTS) (company number 2006000): Special Conditions Consolidated – 01/05/2011

Keld	GDN (NO)	1.89
Little Burdon	GDN (NO)	17.75
Melkinthorpe	GDN (NO)	1.77
Saltwick Pressure Controlled	GDN (NO)	9.22
Saltwick Volumetric Controlled	GDN (NO)	69.07
Thrintoft	GDN (NO)	5.16
Towlaw	GDN (NO)	0.55
Wetheral	GDN (NO)	29.11
Horndon	GDN (NT)	46.41
Luxborough Lane	GDN (NT)	165.3
Peters Green	GDN (NT)	151.86
Peters Green South Mimms	GDN (NT)	197.12
Winkfield (NT)	GDN (NT)	15.91
Audley (NW)	GDN (NW)	12.14
Blackrod	GDN (NW)	166.49
Ecclestone	GDN (NW)	21.14
Holmes Chapel	GDN (NW)	22.19
Lupton	GDN (NW)	16.23
Malpas	GDN (NW)	0.99
Mickle Trafford	GDN (NW)	29.08
Partington	GDN (NW)	87.63
Samlesbury	GDN (NW)	110.99
Warburton	GDN (NW)	110.62
Weston Point	GDN (NW)	30.64
Aberdeen	GDN (SC)	23.09
Armadale	GDN (SC)	3.01
Balgray	GDN (SC)	11.4
Bathgate	GDN (SC)	24.22
Broxburn	GDN (SC)	60.80
Burnhervie	GDN (SC)	22.38
Careston	GDN (SC)	3.05
Drum	GDN (SC)	77.04
St Fergus	GDN (SC)	0.88
Glenmavis	GDN (SC)	145.79
Hume	GDN (SC)	1.22
Kinknockie	GDN (SC)	2.35
Langholm	GDN (SC)	0.15
Lauderhill	GDN (SC)	1.79
Lockerbie	GDN (SC)	5.7
Netherhowcleugh	GDN (SC)	0.2
Pitcairngreen	GDN (SC)	1.59
Soutra	GDN (SC)	4.19

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Stranraer	GDN (SC)	0.68
Farningham	GDN (SE)	135.12
Farningham B	GDN (SE)	0
Shorne	GDN (SE)	67.06
Tatsfield	GDN (SE)	276.46
Winkfield (SE)	GDN (SE)	106.26
Braishfield A	GDN (SO)	107.28
Braishfield B	GDN (SO)	46.65
Crawley Down	GDN (SO)	0
Hardwick	GDN (SO)	118.68
Ipsden	GDN (SO)	12.39
Ipsden 2	GDN (SO)	14.25
Mappowder	GDN (SO)	47.68
Winkfield (SO)	GDN (SO)	71.86
Aylesbeare	GDN (SW)	22.68
Cirencester	GDN (SW)	8.97
Coffinswell	GDN (SW)	5.15
Easton Grey	GDN (SW)	29.60
Evesham	GDN (SW)	6.57
Fiddington	GDN (SW)	25.95
Ilchester	GDN (SW)	34.96
Kenn	GDN (SW)	15.43
Littleton Drew	GDN (SW)	2.47
Lyneham (Choakford)	GDN (SW)	50.30
Pucklechurch	GDN (SW)	25.79
Ross (SW)	GDN (SW)	4.53
Seabank (DN)	GDN (SW)	60.74
Alrewas (WM)	GDN (WM)	128.48
Aspley	GDN (WM)	84.65
Audley (WM)	GDN (WM)	21.83
Austrey	GDN (WM)	87.81
Leamington	GDN (WM)	4.26
Lower Quinton	GDN (WM)	29.91
Milwich	GDN (WM)	21.63
Ross (WM)	GDN (WM)	16.52
Rugby	GDN (WM)	80.08
Shustoke	GDN (WM)	44.76
Stratford-upon-Avon	GDN (WM)	4.68
Maelor	GDN (WN)	57.56
Dowlais	GDN (WS)	112.18
Dyffryn Clydach	GDN (WS)	42.78
Gilwern	GDN (WS)	52.74
Abernedd Power Station	DC	0
Abson (Seabank Power Station phase I)	DC - FIRM	36.59

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Bacton (Great Yarmouth)	DC - FIRM	20.04
Barking (Horndon)	DC - INTERRUPTIBLE	58.59
Barrow (Black Start)	DC	0
Billingham ICI (Terra Billingham)	DC - FIRM	43.54
Bishop Auckland (test facility)	DC	0
Blackness (BP Grangemouth)	DC - FIRM	27.29
Blyborough (Brigg)	DC - INTERRUPTIBLE	16.89
Blyborough (Cottam)	DC - INTERRUPTIBLE	17.54
Brine Field (Teesside) Power Station	DC	0
Burton Point (Connahs Quay)	DC - INTERRUPTIBLE	73.21
Caldecott (Corby Power Station)	DC - FIRM	21.12
Carrington (Partington) Power Station	DC	0
Coryton 2 (Thames Haven) Power Station	DC	0
Centrax Industrial	DC	0
Deeside	DC - FIRM	28.48
Didcot	DC - FIRM	137.76
Drakelow Power Station	DC	0
Eastoft (Keadby Blackstart)	DC - INTERRUPTIBLE	2.38
Eastoft (Keadby)	DC - FIRM	36.06
Enron Billingham	DC - INTERRUPTIBLE	121.51
Epping Green (Enfield Energy, aka Brimsdown)	DC - FIRM	18.41
Ferny Knoll (AM Paper)	DC - FIRM	1.08
Goole (Guardian Glass)	DC - FIRM	1.62
Gowkhall (Longannet)	DC - FIRM	43.32
Grain Power Station	DC	0
Harwarden (Shotton, aka Shotton Paper)	DC - FIRM	11.59
Hatfield Power Station	DC	0
Hollingsgreen (Hays Chemicals)	DC - INTERRUPTIBLE	3.25
Langage Power Station	DC	0

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Marchwood Power Station	DC	0
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC - INTERRUPTIBLE	38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC - FIRM	40.94
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	433.4
Pembroke Power Station	DC	0
Peterborough (Peterborough Power Station)	DC - INTERRUPTIBLE	23.28
Phillips Petroleum, Teesside	DC	3.69
Pickmere (Winnington Power, aka Brunner Mond)	DC - FIRM	15.38
Roosecote Power Station (Barrow)	DC - INTERRUPTIBLE	14.73
Rosehill (Saltend Power Station)	DC - FIRM	57.83
Ryehouse	DC - FIRM	38.66
Saddle Bow (Kings Lynn)	DC - FIRM	17.98
Saltend BPHP (BP Saltend HP)	DC - FIRM	9.1
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC - FIRM	4.55
Seabank (Seabank Power Station phase II)	DC - FIRM	19.1
Sellafield Power Station	DC - INTERRUPTIBLE	12.35
Shellstar (aka Kemira, not Kemira CHP)	DC	16.24
Shotwick (Bridgewater Paper)	DC - FIRM	5.52
Spalding 2 (South Holland) Power Station	DC	0
St. Fergus (Shell Blackstart)	DC	0
St. Fergus (Peterhead)	DC - FIRM	108.3
St. Neots (Little Barford)	DC - FIRM	35.2
Stallingborough	DC - FIRM	66.5

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Stanford Le Hope (Coryton)	DC - FIRM	36.61
Staythorpe	DC - FIRM	76.24
Sutton Bridge Power Station	DC - FIRM	37.47
Teesside (BASF, aka BASF Teesside)	DC - FIRM	9.75
Teesside Hydrogen	DC - FIRM	6.61
Terra Nitrogen (aka ICI, Terra Severnside)	DC - FIRM	13.1
Thornton Curtis (Humber Refinery, aka Immingham)	DC - FIRM	46.89
Thornton Curtis (Killingholme)	DC	81.22
Tonna (Baglan Bay)	DC - FIRM	26.75
Upper Neeston (Milford Haven Refinery)	DC	0
West Burton Power Station	DC	0
Weston Point (Castner Kelner, aka ICI Runcorn)	DC - FIRM	11.7
Weston Point (Rocksavage)	DC - FIRM	38.19
Wragg Marsh (Spalding)	DC - FIRM	42.02
Wyre Power Station	DC	0
Zeneca (ICI Avecia, aka 'Zenica')	DC - FIRM	0.11
Bacton (Baird)	STORAGE SITE	0
Barrow (Bains)	STORAGE SITE	0
Barrow (Gateway)	STORAGE SITE	0
Caythorpe	STORAGE SITE	0
Hatfield Moor Max Refill	STORAGE SITE	30.21
Holford	STORAGE SITE	0
Hole House Max Refill	STORAGE SITE	119.58
Partington Max Refill	STORAGE SITE	2.41
Stublach (Cheshire)	STORAGE SITE	0
Glenmavis Max Refill	STORAGE SITE	1.62
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	100.94
Avonmouth Max Refill	STORAGE SITE	2.3
Dynevor Max Refill	STORAGE SITE	2.61
Garton Max Refill (Aldbrough)	STORAGE SITE	211.01
Hornsea Max Refill	STORAGE SITE	22.43
Rough Max Refill	STORAGE SITE	160

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Bacton (IUK)	INTERCONNECTOR	623.58
Bacton (BBL)	INTERCONNECTOR	0

Special Condition C8G. NTS System Operator internal incentives, costs and revenues

(1) Internal cost incentive revenue (SOIntICR_t)

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(a) Principal formula

For the purposes of paragraph 3 of Special Condition C8C (NTS System Operation Activity Revenue Restriction), the maximum internal costs incentive revenue allowed to the licensee in respect of formula year t ($SOIntICR_t$) shall be derived in the following manner:

$$SOIntICR_t = IOIRC_t + ICEIRC_t + NC_t$$

where:

$IOIRC_t$ means the maximum internal operating cost incentive revenue allowed in respect of formula year t and shall be calculated in accordance with paragraph 1(b) of this condition

$ICEIRC_t$ means the maximum internal capital expenditure incentive revenue allowed in respect of formula year t and shall be calculated in accordance with paragraph 1(c) of this condition;

NC_t means the non incentivised costs allowed in respect of formula year t and shall be determined in accordance with paragraph 1(d) of this condition.

(b) Internal operating cost incentive revenue (IOIRC_t)

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The maximum internal operating costs incentive revenue allowed to the licensee in respect of formula year t ($IOIRC_t$) shall be derived in the following manner

Comment [JC46]: Replaced IRPI with RPIF in formulae below.

If $RPIF_t \times IOIT_t \geq IOC_t$, then:

$$IOIRC_t = \min(RPIF_t \times IOIT_t, \min(RPIF_t \times IOIT_t, IOC_t) - ICUSF_t)$$

Otherwise:

$$IOIRC_t = \min(RPIF_t \times IOIT_t, \min(RPIF_t \times IOIT_t, IOC_t) - ICDSF_t)$$

where:

$IOIT_t$ means the internal cost incentive target in respect of formula year t as set out in the following table:

Variable	Formula years				
	t=6	t=7	t=8	t=9	t=10
$IOIT_t$ (£ million, 2009/10 prices)	24.2	23.2	25.4	24.6	24.2

Comment [JC47]: Rebase values to 2009-10 prices.

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IOC_t means the operating costs incurred in respect of formula year t attributable to the provision of NTS SO activity 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) other than ExCC_t, EnCBBC_t, ExCBBICP_t, SC_t, OMC_t, OMPC_t, RBC_t, non recoverable costs (as such term is defined in Special Condition C28 (Requirement to develop and undertake a Scheme of Work to facilitate the establishment of a long term external greenhouse gas system operator incentive to reduce targeted greenhouse gases)), Pension Costs and charges levied on the licensee by the agency (as defined in Standard Special Condition A15 (Agency)).

where:

EnCBBC_t shall have the meaning set out in paragraph 3(c) of Special Condition C8D (NTS gas entry incentives, costs and revenues);

ExCBBICP_t shall have the meaning set out in paragraph 1(b) of Special Condition C8E (NTS gas exit incentives, costs and revenues);

ExCC_t shall have the meaning set out in paragraph 1(c)(ii) of Special Condition C8E (NTS gas exit incentives, costs and revenues);

SC_t with effect from formula year t =8, shall have the meaning set out in paragraph 1(a) of the Special Condition C8F (NTS System

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	Operator external incentives, costs and revenues);
OMC _t	with effect from formula year t=8, shall have the meaning set out in paragraph 1 (a) of Special Condition C8F (NTS System Operator external incentives, costs and revenues);
OMPC _t	means the total costs incurred by the licensee in respect of formula year t in respect of the procurement and utilisation of services that have been paid for the purposes of establishing and testing potential future Operating Margins services and which are not included in the calculation of OMC _t and shall have a zero value for all formula years except formula year t=8;
RBC _t	with effect from formula year t=8, shall have the meaning set out in paragraph 1(a) of Special Condition C8F (NTS System Operator external incentives, costs and revenues);
Pension Costs	means the actual cash contributions made to the scheme in respect of both ongoing contributions and deficit payments attributable to the transportation system as well as scheme administration costs and payments made to the Pension Protection Fund (as defined under the Pensions Act 2004)

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ICUSF_t means the internal cost upside sharing factor in respect of formula year t as set out in the following table

	Formula years				
Variable	t=6	t=7	t=8	t=9	t=10
ICUSF _t	0.4	0.4	0.4	0.4	0.4

ICDSF_t means the internal cost downside sharing factor in respect of formula year t as set out in the following table

	Formula years				
Variable	t=6	t=7	t=8	t=9	t=10
ICDSF _t	0.4	0.4	0.4	0.4	0.4

RPIF_t is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence.

(c) Internal capital expenditure incentive revenue (ICEIRC_t)

The maximum internal capital expenditure incentive revenue allowed to the licensee in respect of formula year t (*ICEIRC_t*) shall be derived in the following manner:

$$ICEIRC_t = ICED_t + ICER_t$$

where:

$ICED_t$ means the depreciation on the NTS SO regulatory asset base in respect of formula year t and is calculated on a straight-line basis using a life of seven years for assets;

$ICER_t$ means the return on the average NTS SO regulatory asset value in respect of formula year t at a rate of 5.05%;

NTS SO regulatory asset value means the allocation of assets to the NTS SO activity 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 has the value £40.3m (in 2004/05 prices) on 1 April 2007. Allowed internal capital expenditure ($AICE_t$) shall be added to the NTS SO regulatory asset value in respect of any formula year t;

$AICE_t$ means the allowed internal capital expenditure that shall be added to the NTS SO regulatory asset base in respect of any formula year t and is derived in the following manner:

Comment [JC48]: Replaced IRPI in formula below to RPIF.

$$AICE_t = \left(RPIF_t \times ICET_t \right) - \left(RPIF_t \times ICET_t \right) - ICE_t \times 0.75$$

where:

$ICET_t$ means the internal capital expenditure target in respect of formula year t as set out in the following table:

	Formula years				
Variable	t=6	t=7	t=8	t=9	t=10

Comment [JC49]: Rebase values to 2009-10 prices

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ICET _t	12.8	8.3	6.5	10.8	10.3
(£ million 2009/10 prices)					

ICE_t means the internal capital expenditure allocated to the NTS SO activity 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) in respect of formula year t.

RPIF_t is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence..

(d) Non-incentivised costs (NC_t)

The non-incentivised costs allowed to the licensee in respect of formula year t (NC_t) shall be derived in the following manner:

Comment [JC50]: Replaced IRPI in formula below to RPIF.

$$(1) \quad NC_t = (C_t + IP_t + IX_t + IXLU_t) \times RPIF_t$$

where:

IT_t means the licensee's tax allowance in respect its NTS system operation activity in respect of formula year t as set out in the following table:

Variable	Formula years				
	t=6	t=7	t=8	t=9	t=10
IT _t	3.1	2.1	1.3	0.0	-0.4

Comment [JC51]: Rebase values to 2009-10 prices

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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(£ million, 2009/10 prices)					
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IP_t means the licensee's pension cost allowance in respect of its NTS system operation activity in respect of formula year t as set out in the following table:

Variable	Formula years				
	t=6	t=7	t=8	t=9	t=10
IP_t (£ million, 2009/10 prices)	6.7	6.9	6.8	7.1	7.1

Comment [JC52]: Rebase values to 2009-10 prices

IX_t means the relevant proportion (in respect of its NTS system operation activity) of the charge levied on the licensee by the agency (as defined in Standard Special Condition A15 (Agency)) in respect of formula year t as set out in the following table:

Variable	Formula years				
	t=6	t=7	t=8	t=9	t=10
IX_t (£ million, 2009/10 prices)	6.6	10.6	14.5	9.3	6.6

Comment [JC53]: Rebase values to 2009-10 prices

$IXLU_t$ means the revenue adjustment term, whether of a positive or of a zero value, required to effect the full recovery by the licensee of

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logged up costs (adjusted for financing costs) and in all formula years shall take the value zero except for the formula year commencing on 1 April 2012 for which it shall take a value being the relevant proportion of the total of the expenditure incurred by the licensee in respect of its NTS system operation activity in the period 1 April 2008 to 31 March 2012 in respect of charges levied on the licensee by the agency (as defined in Standard Special Condition A15 (Agency)) for:

- (a) information technology systems development costs; and
- (b) the provision of services

resulting from changes to the industry frameworks, subject to the licensee having demonstrated to the Authority that such costs have been efficiently incurred. For the avoidance of doubt, the changes to the industry frameworks in respect of which the licensee shall be entitled to recover its expenditure in respect of charges levied by the agency shall include:

- (a) Entry capacity base line swapping associated with the entry capacity substitution obligation;
- (b) The introduction of the 0.52p/kWh limit on buying-back incremental capacity;
- (c) Energy balancing changes;
- (d) European driven changes – change of gas day times to facilitate cross border flows and information provision costs;
- (e) 20% of any costs attributable to major changes to the reconciliation by difference process; and

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(f) Shipper driven UNC modification proposals – 100% of GEMINI system expenditure, 11% of other system expenditure.

The total amount of these logged up costs is not to exceed £Xm (2009/10 prices)

RPIF_t is the price index adjustment term and shall have the same meaning as in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence.

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Special Condition C26: Gas Conveyed to Independent Systems

1. Pursuant to the direction given by the Secretary of State on 19 March 2008, regarding the Continuation of the Cross-Subsidy Arrangements for Independent Systems (the “Direction”) the licensee is required, until 31 March 2013, to comply with this licence condition.

Bulk Price Differential

2. The licensee shall, subject to it having received all the information it requires from DN operators to enable it to do so, by 30 April in each formula year, in respect of each independent system:
 - (a) make a reasonable estimate of the bulk price differential for that formula year (BPDE_t); and
 - (b) calculate, in formula years commencing on and after 1 April 2009, any adjustment (whether of a positive or a negative amount) (BPDADJ_t) in formula year _t which relates to the difference between:
 - (i) the estimate of the bulk price differential it calculated in the preceding formula year (BPDE_{t-1}); and
 - (ii) the actual amount of the bulk price differential in that preceding formula year (BPDA_{t-1})in accordance with the following formula:

$$\text{BPDADJ}_t = \text{BPDA}_{t-1} - \text{BPDE}_{t-1}.$$

For the avoidance of doubt, for the formula year commencing 1 April 2008, BPDADJ_t = 0.

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3. The licensee shall, in respect of each independent system, pay to the relevant shipper an amount equal to a proportionate amount of the sum of the amounts calculated pursuant to paragraph 2 ($BPDE_t + BPDADJ_t$) quarterly (or at such frequency as may be agreed with the relevant shipper) during the formula year in which the calculation in paragraph 2(a) was made.

Distribution Network Additional costs payment

3. The licensee shall pay to the relevant DN operator the amount set out in Table 1 in respect of the additional costs to serve the independent system operated by that DN operator (“additional costs payments”) denoted by “ACPS_t” and “ACPW_t”. Such amounts shall, prior to payment, be adjusted to take account of the change in the retail prices index between the formula year commencing 1 April 2005 and the relevant formula year set out in Table 1 in accordance with the following formulae:

Comment [JC54]: Replaced ISPIT with RPIF in formula below.

$$ACPS_t = SGNACP_t \times RPIF_t$$

and

$$ACPW_t = WWUACP_t \times RPIF_t$$

Table 1

£m, 2009-10 prices	2008-09	2009-10	2010-11	2011-12	2012-13
Scotland Gas Networks plc (SGNACP _t)	6.0	5.4	5.4	5.4	5.4
Wales & West Utilities Limited (WWUACP _t)	0.1	0.1	0.1	0.1	0.1

Comment [JC55]: Rebase values to 2009-10 prices

5. The licensee shall pay to the relevant DN operator a proportionate amount of the additional costs payments for the relevant formula year on a quarterly basis during that formula year or as otherwise agreed with the DN operator to whom the payment is to be made.

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS): PART C

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Recovery

6. The licensee shall recover an amount equal to the aggregate of:
 - (i) the sum of the amounts calculated pursuant to paragraph 2 ($BPDE_t + BPDADJ_t$); and
 - (ii) the additional costs payments made to the relevant DN operators under paragraph 5 ($ACPS_t + ACPW_t$) from shippers in the relevant formula year to which such payments relate.

7. The licensee shall by 31 July in each formula year submit to the Authority a statement setting out:
 - (i) the bulk price differential payments made pursuant to paragraph 3; and
 - (ii) the additional costs payments made pursuant to paragraph 5 in the previous formula year.

8. In this condition:

“bulk price differential” means the volume of LPG conveyed to consumers connected to each relevant independent system in the relevant formula year, multiplied by the difference between the reasonable estimate (made by the licensee) of

- (i) the actual delivered price of LPG supplied to consumers connected to the relevant independent system; and
- (ii) the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.

“DN operator” has the meaning given in Standard Special Condition A3 (Definitions and Interpretation).

“independent system” has the meaning given to the term “independent system” in Standard Special Condition A3 (Definitions and Interpretation),

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save that, for the purposes of this condition only, such independent systems shall only include those independent systems through which the gas conveyed to consumers consists wholly or mainly of LPG.

- “LPG” means a mix of hydrocarbon gases including propane and butane in accordance with BS EN 589:2004
- “relevant shipper” for the purposes of this condition only, means in relation to any premises connected to an independent system, a gas shipper which has made arrangements with the DN operator which operates the LDZ in which that independent system is situated under which LPG is to be transported to consumers.
- “RPIF_t” has the meaning given in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction).

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