

First informal licence drafting consultation

(Appendix 1)

General Comments

Terminology

Ofgem has raised questions regarding whether licensees support the terminology of “best” or “reasonable” endeavours or “take steps” to satisfy Licence conditions. NGET/NGGT supports the use of the existing phraseology (“reasonable / best endeavours”) as this is consistent with existing licence convention and its meaning is understood in contrast to that of “taking steps” which is currently undefined.

Licence Consents

NGET/NGGT currently hold a number of consents pursuant to the relevant Licence. These were recently renewed to cover the period of the TPCR5 roll-over. As part of that review NGET/NGGT examined the existing consents to determine whether they need to be retained or could be relinquished when RIIO-T1 and the revised Licence takes effect from 1st April 2013. We also examined the need for any new consents and at this stage do not believe any are required. However the existing consents are due to expire on 31st March 2013 and so will need to be renewed (possibly with some minor amendments). We understand that Ofgem intends to address the renewal of the relevant consents as part of the second consultation.

Definition of terms

We welcome Ofgem’s proposal to use a consistent approach to defined terms in the Licence. We note that there may be temporary inconsistencies as a result of the proposed approach and the intention to undertake a further review and “housekeeping changes” and would welcome the setting of a clear deadline for completion of the housekeeping review.

Responses to specific questions

CHAPTER: Two

Question 1: We invite stakeholders to comment on the proposed changes to the SLCs SpCs in NGET’s licence as outlined in this chapter and the actual licence drafting in Supporting Document 1.

National Grid response:

We support the effective removal of SLC B13 for the reasons set out in the consultation.

Question 2: We invite stakeholder views as to whether SLC C18: Requirement to offer terms for connection or use of the GB transmission system during the transition period [ETC 92] remains relevant or should be removed.

National Grid response:

We consider C18 is also no longer required given the “connect and manage” regime currently in place.

Question 3: We invite stakeholders views as to whether SpC D15: Obligations relating to the preparation of TO offers during the transition period [ETC 92] remains relevant or should be removed.

National Grid response:

We consider SLC D15 is also no longer required given the “connect and manage” regime currently in place.

Question 4: Relevant Licensees are requested to provide written evidence to support the position that arrangements set out within B14: BETTA run-off arrangements scheme [ETC 93] have come to an end and hence the condition may be removed.

National Grid response:

We remain of the view that this condition is redundant.

CHAPTER: Three

Question 1: We invite stakeholders to comment on the proposed changes to the SpCs in NGGT’s licence as outlined in this chapter and the actual licence drafting in Supporting Document 2.

National Grid response:

Our detailed comments relating the Gas Transmission licence are included within the tables accompanying this document (and included with the marked-up copy sent separately), however please find some high-level comments on specific details below.

GTC 131 - Permits

Recent licence drafting discussions with Ofgem have revealed that Ofgem proposes to retain the current form of drafting around permits whereby there is an explicit allowance relating to entry and a separate one relating to exit. We do not agree with this approach as our proposals were based on an optimised permit allowance across entry and exit together. A scheme based on a split permit allowance would require in aggregate a higher allowance of permits to achieve the same level of risk mitigation, as this removes the ability to make the most efficient decision across entry and exit. Therefore we do not support this approach to the licence drafting.

GTC 121 – Methodology Statements

The drafting for this condition, which has been discussed since the informal Licence consultation was published, includes audit obligations for Methodology Statements that currently do not require such audits (for example those relating to Transfer, Trade and Substitution). We do not agree that audits are necessary, or efficient, in relation to these statements due to the infrequency with which these methodologies are amended or indeed used and feel that our overarching obligations within the Act and the Licence direct our behaviour appropriately in this area. Ofgem’s rationale for their inclusion appears to be based on there being audit requirements in other methodology statements (existing Sp C C15 and Sp C C18), but we do not consider that this is a justified reason to include in this condition. Indeed, the converse could be argued; whereby audit requirements should be removed from the replacement condition for Sp C C15 and Sp C C18 (currently GTC 126) as they do not currently exist in the licence for the methodology statements relating to Transfer, Trade and Substitution.

We also note that the audit requirements included in the licence drafting reference the requirement for an auditor to provide an ‘opinion’ on the application of the methodologies. Whilst we note that this wording is included in the existing licence drafting relating to audits for methodology statements, it has proved problematic over the TPRC4 period as many auditors are not willing to provide an ‘opinion’ on such matters. This has been discussed extensively

with Ofgem and our concern remains that retention of this wording would limit the number of auditors who could be used to fulfil the obligation. We have suggested that the drafting should require auditors to comment on a set of 'Agreed Upon Procedures' which would still enable an auditor to provide an 'opinion' where they believe they can but would not limit our choice of auditor. We note that Ofgem has proposed that this form of wording ('Agreed Upon Procedures') is included for the replacement condition for St Sp C A30 (Regulatory Accounts), hence we believe that this should be replicated within this condition. For these reasons, we do not support the inclusion of auditors providing an 'opinion'.

GTC 28 and 117 – Uncertain Costs

A specific concern with these conditions is the removal of the general Income Adjusting Event provision from the licence and the replacement with a specified 'uncertain cost' term which prescribes the types of cost to be included. As communicated in previous meetings with Ofgem, with the extension of the price control period to eight years, there is an increased likelihood of events occurring within that period that could affect costs or revenues that we are unable to predict now. The general Income Adjusting Event term provides a method to address this. For this reason we believe the existing provision should be retained.

Of more concern is the fact that the current Income Adjusting Event terms allow for third parties to question whether there should be an adjustment to our allowed revenue; this is a facility that has been utilised within the TPCR4 period. We note that the uncertain cost licence conditions which are intended to replace the Income Adjusting Event terms do not contain similar provisions and so the ability for a third party to question whether there should be an adjustment to our allowed revenue has been removed. This has not been consulted on in Ofgem's previous strategy documents and the effect on third parties is not specifically drawn out in Ofgem's Initial Proposals. Recent feedback from stakeholders has revealed concerns that they were not aware of the potential for this existing provision to be removed and do not support this approach, although one stakeholder did question whether the current materiality threshold was still appropriate. We note that Ofgem do express concern that a general Income Adjusting Event is too broad and could be used in too many situations but we contend that this can be controlled by retaining the existing form of licence drafting that clarifies a strict process for assessing requests. We note that Income Adjusting Events have only been raised twice in the TPCR4 period, with one occurrence being rejected. For these reasons, the general Income Adjusting Event provision should be retained.

GTC 120 - Constraint management

Our comments in relation to constraint management can be found in our response to question five of the 'outputs, incentives and innovation' supporting document.

Paragraph 3.37

The charging arrangements proposed in paragraph 3.37 of the consultation document are overly complicated and confusing. Through subsequent discussions with Ofgem we do not believe that any such arrangements are required. Our understanding is that Ofgem agrees with this and we look forward to this being clarified in the next informal licence drafting consultation in October.

Clearing allocation

We note that in Appendix 4 the table lists the current licence requirements, showing where they will be captured under the new licence structure. Within this table, the current obligation within C8D Part C requiring us to offer capacity for sale in a 'clearing allocation' is marked as requiring further consideration under RIIO. The primary reason for the inclusion of this obligation was to ensure that National Grid would not withhold capacity from the market. We have made representations to Ofgem that we feel this obligation is no longer required as there are sufficient safeguards in other conditions and under the Act to ensure that capacity release

is appropriately considered. For these reasons, we believe this obligation can be removed from the licence.

CHAPTER: Four

Question 1: We invite stakeholders to comment on the proposed licence changes to the GD sector as outlined in this chapter and the actual licence drafting in Supporting Document 3.

National Grid response:

No comment.

Question 2: Should we include all above risk threshold tier 2 mains within the driver? An alternative would be that the revenue driver covers only the above threshold tier 2 mains not identified at the review period, and fund all relevant tier 2 mains identified at review within an ex ante allowance?

National Grid response:

No comment.

Question 3: Should we include services connected to the above risk threshold tier 2 mains within the revenue driver?

National Grid response:

No comment.

CHAPTER: Five

Question 1: We invite stakeholders to comment on the proposed changes to the common SLCs, SSCs and SpCs for GT and GD as outlined in this chapter and the actual licence drafting in Supporting Document 2 (for GT) and 3 (for GD).

National Grid response:

In relation to the Standard Conditions we do not understand the rationale for choosing to update some of these conditions through the RIIO-T1 process for non RIIO changes, whilst others will not be addressed until licence modernisations are undertaken post RIIO. We believe that all of these changes could be made during the licence modernisation process.

CHAPTER: Seven

Question 1: We invite stakeholders to comment on the proposed changes to the common licence conditions or introduction of new common licence condition as outlined in this chapter and the working drafts in the three Supporting Documents.

National Grid response:

Detailed comments are included within the tables accompanying this document; however please find some high-level comments on specific details below.

ETC81 – Payments by the Licensee to the Authority

We look forward to receiving drafting for this condition in the next informal Licence drafting consultation in October. The drafting should address the impact of failures by the Authority to administer the process efficiently (e.g. late posting, use of second class post – both recently

observed) where this has a knock on impact on the ability of the Licensee to process payment in a timely manner.

ETC 29 – Disapplication

This condition is incorrectly titled “Misapplication” in the consultation. We look forward to receiving drafting for this condition in the next informal Licence drafting consultation in October. We note that the current disapplication provisions allow us to disapply individual parts of the control and we expect this functionality to continue over the RIIO-T1 period.

GTC 74 – Regulatory Instructions and Guidance

We will be unable to provide comprehensive comments on this condition until we see a full copy of the associated RIGs document, as it is not possible to make a full and proper assessment of the licence obligations without understanding the detail to which those obligations relate.

GTC 76 – Data Assurance Guidance

We do not agree with the implementation of the data assurance provisions as a ‘trial’ alongside the existing data requirements in the licence. This creates an unnecessary burden and potentially creates a double jeopardy situation. We believe that it would be more appropriate to retain the existing requirements whilst working up the data assurance requirements in a working group prior to implementing in the licence.

ETC10 – Network Innovation Competition

We are broadly content with the principles in the condition however we note that care will be needed to ensure that the money flows are correctly addressed and remain outside the annual iteration process used to determine ‘MOD’ otherwise there is a risk that funds provided through the condition are then immediately removed when ‘MOD’ is recalculated.

Question 2: We welcome views on a suggestion from a Licensee that we do not need to set out the list of Excluded Services under Part C in GDC 31 as the excluded service examples are by definition excluded services for gas distribution, and thus superfluous to licence condition.

National Grid response:

No comment.

CHAPTER: Eight

Question 1: We invite stakeholders to comment on the associated documents that we propose to create and their content

National Grid response:

It is difficult to comment on the associated documents without seeing copies of them. It is imperative that copies of all of the associated documents are published alongside the relevant conditions in the next informal licence drafting consultation in order to allow for a full and proper assessment of the obligations contained within.

We note specifically that recent discussions with Ofgem with regard to licence condition GTC3 (incremental entry capacity) and GTC4 (incremental exit capacity) have proposed the creation of an associated document to the licence (akin to those being proposed for other areas of the licence) which would detail the order of preference for the calculation of revenue drivers:

1. Via an approved Generic Revenue Driver Methodology, which has been consulted upon

2. With reference to a table within the associated document which will include revenue drivers for any entry or exit points that are expected to be required during the early years of the RIIO-T1 period
3. With reference to a table within the associated document which will include the current (TPCR4) revenue drivers, amended to fit with the totex approach (i.e. on a £m/GWh rather than the existing £m/GWh/month used for entry capacity) and up to date unit costs.

Our understanding is that Ofgem will consult on this within the second informal licence drafting consultation and this would then be followed by a letter published by National Grid requesting any user who believes they may want to trigger incremental capacity that we are not already in discussions with to contact us, so that the appropriate revenue drivers can be considered.

First informal licence drafting consultation

Comments in relation to the consultation document relating to the Electricity Transmission and Gas Transporter Licences

Paragraph Reference	Comments
1.18	When can we expect the licence modernisation post RIIO to happen?
1.19	We agree with the position of retaining “Best” and “Reasonable Endeavours”.
1.24	We note that there are a number of documents that include cross references to the Licence (such as the UNC and methodology statements). It would therefore be useful to have final licence condition numbers confirmed in the next information licence drafting consultation in October to allow all of these associated documents to pass through their relevant governance processes and be updated prior to April 2013.
1.29-1.30	We feel that moving to a different paragraph numbering convention between SpCs and SLCs/SSCs will be confusing and any updating of numbering conventions should be applied to the whole licence in one go.
2.37 – 2.39	We note that the current CUSC change proposal CMP 207 could have implications for over and under recovery of revenues. This is because the proposal (if implemented) would have the effect of limiting the size of the change in TNUoS charges for customers year on year such that where charges should change significantly this would be capped NGET and the change phased in over two or more years. As a result NGET could under or over recover against its forecast revenue. Where under/over recovery occurs then various penalties apply under the proposed drafting and it would be inappropriate for NGET to be additionally penalised where this arises through the impact of capping changes to TNUoS charges under CPM207 and we would expect that the drafting could include an appropriate mechanism to address this in the event CMP201 is implemented.
2.76-78	We agree with the proposal to delete Special Condition K – this no longer has any relevance.
2.82	We welcome Ofgem’s decision that no licence condition is needed for RIIO-T1 and agree with the reasons for this.
3.8	We are pleased to see that Ofgem appear to agree with our suggestions relating to changes needed to Sp C C3 and note that development of the future regulatory funding arrangements relating to LNG will need to be address this , which we understand is due to take place in the near future.

Paragraph Reference	Comments
3.13 – 3.15	We propose that “Part D” is removed from the System Management Principles Statement as this provision has not been used under the current Licence as per our discussions with Ofgem on this matter.
3.16	We have previously suggested the removal of “Part D”, which would have meant that the definitions of NTS Exit Flat Capacity and NTS Flow Flexibility could be removed. If this section is retained, we are unsure whether the definitions would need to be retained. We suggest they could potentially be retained just in this condition as they are not needed elsewhere in the licence.
3.17	We note that if any changes are made which have a subsequent impact on charging obligations, these will need to be made in sufficient time to allow the UNC modification process to be followed in time to implement changes for April 2013.
3.25	We do not understand why the “activity” is being removed from the title and note that there are inconsistencies throughout the licence between the proposed TO and SO conditions. We suggest that the “activity” is therefore retained in both.
3.29	Any changes to the working of the correction factor “K” is a policy decision and therefore we feel that there is a need to ensure a full consultation is carried out on any proposals, including whether under/over-recovery of income should be logged up using WACC (as per other proposals within the licence drafting) or whether retention of the existing interest rate approach should be retained.
3.32 & 3.76 – 3.78	Ofgem is proposing the removal of the general income adjusting event provision provided by the SORA term. We do not believe that this change in policy (which currently allows Shippers to propose adjustments) has been communicated with the wider Industry. We do not agree with the removal of this provision.
3.37	<p>We do not understand the funding arrangements being suggested whereby the income is collected via SO charges, but then deemed to be TO. Subsequent discussions with Ofgem have clarified that these proposals are not required. We would appreciate this being communicated in the next licence consultation.</p> <p>We note that Ofgem states that TSS will be funded via the TO as present. This statement is incorrect as CLNG and ExLRCIR are currently both funded via the SO control. We note informal discussions relating to the licence drafting for TSS has suggested retaining the funding within the SO price control.</p>
3.46 – 3.47	We agree with and welcome the approach that all references to metering tariff caps are removed from the NTS licence.
3.56	This section implies that there is a draft of GTC 33 in the supporting document, but we could not find this.
3.87	This paragraph lists outstanding issues for consideration, but it would have been useful if Ofgem provided the drafting to accompany any comments or questions it has on specific conditions.

Paragraph Reference	Comments
3.89	Previous conversations with Ofgem have discussed the use of 'Agreed Upon Procedures' for audits rather than requiring the auditor to offer an 'opinion'. We do not support the inclusion of audit obligations requiring opinions to be given as per previous discussions with Ofgem on this point.
5.8	We do not understand the rationale for including some non-RIIO changes in this consultation and delaying others until the 'gas licence review'.
5.10	We agree that this condition is redundant and can be removed (SLC 13/GTC 93).
5.16	We agree that the changed text makes the condition clearer, but were unaware that this condition required any change and therefore do not understand why this is being changed as part of the RIIO process.
5.26	We agree that if the provision is now included within new condition GTC 71, then this can be deleted (SSC A29/GTC 93).
5.29	We agree the approach to delete this and to include in SSC (SSC A29/GTC 93).
5.34	We agree with Ofgem's proposals to move all the metering conditions out of the NTS licence and therefore from Part A to Part D and to replace by "not used".
5.46 – 5.47	We do not understand the rationale for including some non-RIIO changes in this consultation and delaying others until the 'gas licence review'.
5.56	We note that Ofgem considers that the current arrangements are not allowed under the Gas Act and asks for views on three proposed options within the RIIO-GD1 Finance and uncertainty document. We are not convinced that the Gas Act does prohibit such payments and note that the existing arrangements have been in place since 2005. We therefore believe that the current arrangements should also be an option upon which Ofgem is seeking views.
6.9	This implies that revenue driver consultations will be subject to the full statutory consultation – which we assume will then be followed by the new European requirement of 56 days clearance prior to changes taking effect. This does not match our objective of removing revenue drivers from the critical project path and welcome further work with Ofgem on the obligations surrounding the calculation of revenue drivers to ensure they do not detrimentally affect project progression.
6.28	We agree that charges need to be finalised by end of December in yr t-1 for yr t, but note that this does not provide much notice to industry of changes and therefore we would suggest that every effort is made to give indications of changes at the earliest possible opportunity, as proposed in our business plan.

Paragraph Reference	Comments
7.18	We expect that the current disapplication provisions will continue to apply until the review is completed and that we will continue to be able to disapply individual elements of each of the SO or TO price control as necessary.
7.32	We do not agree with introducing the Data Assurance condition as a “trial” whilst there are other conditions live in the licence.
Appendix 2 - RIGS	<p>We presume that the inclusion of “E3 Grid benchmarking data” is a mistake within the Gas RIGS data as this refers to the Electricity networks.</p> <p>Some of the terms state that for the information requirements column “More specific detail following Initial Proposals” –when will this be agreed?</p> <p>Constraint management does not have any information against it – when will this be agreed? Note that NGGT already reports on the performance under this scheme to the Ops Forum.</p>

First informal licence drafting consultation – supporting document 1

Comments in relation to Electricity Transmission Licence drafting (Supporting document 1)

As requested by Ofgem, please see Appendix 2 for details of our comments on this licence drafting.

First informal licence drafting consultation – supporting document 2

Comments in relation to Gas Transporter licence drafting (Supporting document 2)

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Standard Special Condition A30 - Regulatory Accounts				
1	GTC 71	2	Sub-para (a) - we have not been provided with GTC19 and thus will need to review this condition to be able to comment here; Sub-para (b) and (c) - we suggest replace (b) and (c) with “not used” and re-insert this text in the GD licence only each time it appears through a new condition of like effect to Standard Special Condition D11	
Standard Special Condition A40 - Regulatory Instructions and Guidance				
2	GTC 74	General	Should the licensee have the right to request the RIGs are modified?	
3	GTC 74	76.5	As to sub-para (i) - need to provide for RIGS to allow for nomination of an examiner. This could be inserted through a new sub-paragraph as follows, “(g) requirements as to the circumstances in which the Authority may appoint an Examiner to examine the recording of Specified Information by the licensee”. As to sub-para (j) - how will the obligation work in practice, can Ofgem provide an example?	
4	GTC 74	Part F	It does not seem appropriate to refer to Final Proposals, what if something changes afterwards?	
Standard Special Condition - Data Assurance requirements				
5	GTC 76	General	We do not agree with the approach of introducing a trial period in conjunction with requirements co-existing elsewhere in the licence Does the licensee have the right to request modifications to the DAG?	
6	GTC 76	76.3	As to sub-para (b) we suggest that this paragraph is made subject to paragraph 76.4 for consistency and clarity As to sub-para (c) what is the rationale for requiring ‘best endeavours’ rather than ‘reasonable endeavours’ As to sub-para (d) are internal Group auditors permitted?	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
			As to sub-para (e)(iv) is it necessary to specify internal as some services may be procured externally?	
7	GTC 76	76.12	How will an assessment be made of “the impact on consumers of the potential errors”? Is this part of a “Risk Assessment”?	
Special Condition - Restriction of NTS Transportation Owner Revenue				
8	GTC 20	General	Para 7.3 to 7.12 of RIIO-GD1 Finance and Uncertainty consultation document imply that it is not clear that we are able to levy costs on DNs re pensions (but note that drafting for TORCOM still allows for this). We note that the condition may need to be changed to reflect final policy on this point. We believe that there should be other terms which will need to be trued up.	
9	GTC 20	20.4	Actual revenue terms in 20.4 will need to be reviewed depending other drafting.	
10	GTC 20	20.5	We note that the terms “TOPT”, “TOOIR” and “TOBR” do not match to the terms used in GTC21 and GTC24.	
11	GTC 20	20.9	There is currently a definition of “Retail Prices Index”, within Standard Special Condition A3, so we are not sure why a different definition is being proposed. As to the definition of “Retail Prices Index Forecast Growth Rate”, after “determine to be appropriate” in the 7 th and 9 th lines insert “in the circumstances”.	
12	GTC 20	20.11	As to the definition of “PVF” how will the Authority “derive” this amount? Should the word be “determined” if the “Authority effectively imposes a number? Definition needed for “Vanilla Weighted Average Cost of Capital” within para 20.11.	
13	GTC 20	20.14	We note that the IRM_t term has been removed from para 20.14 – wouldn’t it be better to leave it in and if not live, turn off in that condition (GTC 9)?	
Special Condition - Restriction of Transmission Charges: calculation of allowed pass-through items				
14	GTC 21	General	The “IS” term is still in here, but needs to reflect the debate regarding SIUs and funding GT-GT	
15	GTC 21	21.4	As to the definition of “NTSPDC” the handbook will need to set out details in relation to the “pension deficit costs associated with non-active scheme members”; What does the term DNPDC do, it doesn’t appear to get used anywhere?	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Special Condition - Incentive adjustments relating to the licensee's Stakeholder Satisfaction Output				
16	GTC 24	General	Note that "Regulatory" year should be replaced by "Formula" year throughout condition. 'Effective' stakeholder engagement and 'exceptional' outcomes need defining SSSt – is it possible to calculate the Licensee's performance and make the adjustment in the same year?	
17	GTC 24	24.1	Suggest a definition be provided of "Stakeholder Satisfaction Output" i.e. by reference to Part E of GTC20.	
18	GTC 24	24.4	Within the definition of SSO, the reference should be to Part C of GTC 20, plus the term within GTC 20 is TOOIR rather than OIP	
19	GTC 24	24.5	SER term should be 0.5% of base revenue, plus reference in GTC 20 is TOBR not BR?	
20	GTC 24	24.6	Should the reference be to a GTC condition – but where should this link to?	
Special Condition - The Network Innovation Allowance				
21	GTC 11	General	Note that "Regulatory" year should be replaced by "Formula" year throughout condition. Is the definition of Gas Transmission Group valid? What has happened to the modification rules that were in previous versions? Why would all of the Licensee's allowances be incorporated in each individual licence?	
22	GTC 11	11.8	Need terms ("Base Transmission Network Activity Revenue") to be consistent with GTC 20 plus TOBR not BR	
23	GTC 11	11.9	As to the reference to "Eligible NIA <u>Internal</u> Expenditure", how is this different to the definition of "Eligible NIA Expenditure"?	
24	GTC 11	11.12	As to sub-para (b), wouldn't these criteria be included under paragraph 11.12(a)? As to sub-para (d): - can the meaning of "relevant matters" be clarified? - we are unsure of the intended meaning of "learnt"; - as to the reference to "captured and disseminated", who will capture the information and who will the information be disseminated to?	
25	GTC 11	11.18	What does the term Gas Transmission actually mean?	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Special Condition - Restriction of NTS System Operation Activity Charges				
26	GTC 7	7.8	There is currently a definition of "Retail Prices Index", within Standard Special Condition A3, so we are not sure why a different definition is being proposed.	
27	GTC 7	7.10	As to the definition of "PVF" how will the Authority "derive" this amount? Should the word be "determined" if the "Authority effectively imposes a number? Definition needed for "Vanilla Weighted Average Cost of Capital". Also believe that there should be other terms which will need to be trued up for RPIF – such as the terms included in SOOIR (i.e. Constraint management, old revenue driver allowances and TSS).	
Special Condition - Entry and exit capacity constraint management				
28	GTC 120	General	Agree that a true-up adjustment for RPIF is needed for CM We note that there are no tables – but the text relates to Appendix 1 and 2. When will we understand what the target level for the scheme is?	
29	GTC 120	120.2	Also suggest that this paragraph should refer to Part C of Para 7.5 (within GTC 7) which sets out how the adjustment occurs.	
30	GTC 120	120.7	The references for these terms need to be updated to reflect where the terms are defined – not sure that GTC 7 is the correct place for these to be defined.	
31	GTC 120	120.11	We note that as drafted the CMDT term (i.e. the variation target) links to the application of the UMs – but Ofgem's suggestion to only apply UMs at either mid-period review or two windows limits the timing of changing the CM – will need further consideration. Also should the directions to the change of the CMDT term result in a change on the face of the licence, i.e. should there be a table to include values for transparency?	
Special Condition - Services treated as Excluded Services				
32	GTC 31	General	ES2 – does this need to exclude any work being funded via the UM being proposed re old legacy agreements? ES7 – we would welcome further discussion with Ofgem regarding funding for xoserve and particularly the "user pays" category which has been included within this term.	
33	GTC 31	31.3	Para 31.3 – description should also include "excluded from SOMR _t " with appropriate reference.	
34	GTC 31	31.9	We would prefer the deletion of this paragraph. We do not think it is appropriate to provide further elaboration or explanation in the RIGS; this should either be on face of licence or in specific consent.	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Special Condition - Methodology to determine the release of NTS Entry Capacity and NTS Exit Capacity volumes				
35	GTC xx	xx.10	As to the definition of "Independent Auditor", insert at the end of this definition "but who, for the avoidance of doubt, need not be the licensee's auditor as such term is defined in Standard Special Condition A3 (Definitions and Interpretation)". Further, will this be different from the definition of "Appropriate Auditor" as currently used in the licence.	
Special Condition - The Innovation Roll-out Mechanism				
36	GTC 9	General	The process seems a bit longwinded – a direction by the end of July to modify Table 1 in Part F and then another direction in November to feed into the model run Definition of Network Equipment seems too narrow – what about field IS devices? There are still a couple of "Regulatory" rather than "Formula" years included.	
37	GTC 9	9.4	9.4 (a) there are only two windows specified and they are specified in Part C not Part D. As to sub-para (b), should "IRM values" be used instead of "Innovation Roll-out allowed expenditure"? As to sub-para (c), depending on response to comments above, if "Innovation Roll-out allowed expenditure" should be defined as IRM values, this sub-para may be circular. Reference to "Base Transmission Network Activity Revenue" is not the correct term.	
38	GTC 9	9.5	As to sub-para (a), we are unsure what this paragraph is intending to do. Is this sub-para in fact the start of sub-para (b)?	
39	GTC 9	9.6	As to sub para (b) – why only benefit electricity consumers? As to sub-para (c) insert after "Price Control Period", "(so that where, for example, the roll out of a Proven Innovation will lead to cost savings equal to or greater than its implementation costs within the Price Control Period, the licensee will not be eligible for funding under this condition)"; As to sub-para (d), how will this work in practice? Will the additional funds be held in a separate account? How will this be demonstrated?	
40	GTC 9	9.9	9.9 (b) why is it only applicable to costs not yet incurred, won't this hold up the roll out of innovations while licensees wait for the next window?	
41	GTC 9	9.25	As to the reference to "full account of the position", what does this actually mean? How will it do this? What procedure will it use? 9.25 does including provisions to account for date being missed make this acceptable?	
42	GTC 9	9.27	We do not think it is appropriate to provide for further explanation or elaboration of the definitions in para 9.26 (rather than 9.18) to be set out in the RIGS.	
Special Condition - Arrangements for the recovery of uncertain costs				

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
43	GTC 28	General	The UM for pipeline diversions needs to clearly state that this only applies for Legacy arrangements as in general these are cost pass through. Reference to "Base Transmission Network Activity Revenue" is not the correct term. Do not agree with the use of "IAE" as the term for this condition, suggest using "TOIAE"? There are still a couple of "Regulatory" rather than "Formula" years included.	
44	GTC 28	28.9 (b)	The threshold is consistent with para 7.30 of Cost assessment and Uncertainty, but does not match the wording of Table 3.6 of Overview document?	
Special Condition - Arrangements for the recovery of SO uncertain costs				
45	GTC 117	General	Not consulted on removing the general IAE term from third parties (as per current SORA drafting). There are still a couple of "Regulatory" rather than "Formula" years included.	
46	GTC 117	117.2	The SOMOD term will feed into GTC7 not GTC20 – plus update the terms affected.	
47	GTC 117	117.18	As to the reference to "after consulting the licensee", why has the usual consulting paragraph not been included here? i.e. 28 day period and take account of representations made.	
48	GTC 117	117.26	The drafting does not explicitly state that the adjustment for the forthcoming formula year could take into account changes to allowances in previous formula years, equally it does not preclude this. We are not sure if this is deliberate or whether the drafting should be clarified?	
Special Condition - Legacy price control adjustments – Transmission Owner (comments provided on updated version of condition provided on 15/8/12)				
49	GTC 64	General	Not sure how this condition fits with the PCFM – there are no lines for "LAR" and "LRAV" to go into when directed under this condition? Question re revenue driver RAV adjustments – thought these were already included in the PCFM under "Transfers" – what does this licence condition do? Are the "Transfers" to be removed and replaced by directed values? There are references to "Relevant" rather than "Formula" years included.	
50	GTC 64	64.6	Should this instead read, "Except where the Authority makes a determination under this Part, the LAR values and LRAV values for all Formula Years shall be zero as at 1 April 2013"?	
Special Condition - Legacy price control adjustments – System Operator (comments provided on updated version of condition provided on 15/8/12)				
51	GTC 67	General	Not sure how this condition fits with the PCFM Not sure what each of the terms are doing, but assume we'll work on this over coming weeks?	
52	GTC 67	67.6	Should this instead read, "Except where the Authority makes a determination under this Part, the SOLAR values and SOLRAV values for all Formula Years shall be zero as at 1 April 2013"?	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Special Condition - Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – Transmission Owner (comments provided on updated version of condition provided on 15/8/12)				
53	GTC 47	General	There are still some references to “Relevant” rather than “Formula” years included.	
54	GTC 47	47.3	Chapter 6 of the Handbook has not been completed and therefore we will not be able to finalise our comments on this condition until provided with that Chapter.	
55	GTC 47	47.4	Check terms - “Base NTS Transportation Owner Revenue” used here, but doesn’t match GTC 20 which uses “Base Allowed NTS Transportation Owner Activity Revenue”	
56	GTC 47	47.8	The previous version had a reference to “Totex capitalisation rate”, but this does not appear in this version, but does the condition need to specify whether it is the baseline or incremental capitalisation rate or will this be done via the model? Also does the drafting need to be more specific regarding “other special conditions of the licence”?	
57	GTC 47	47.10	47.9 & 47.10 – do these terms align with the PCFM? We would like more information on this para to be set out in the Handbook i.e. in relation to payments made by customers in respect of infrastructure.	
58	GTC 47	47.11	Add ‘and that determination will relate to Formula Year 2013/14’ for clarity?	
Special Condition - Determination of PCFM Values for Totex Incentive Mechanism Adjustments – System Operator (comments provided on updated version of condition provided on 15/8/12)				
59	GTC 66	66.3	Chapter 6 of the Handbook has not been completed and therefore we will not be able to finalise our comments on this condition until provided with that Chapter. Terms used for revenue (e.g. Base NTS System Operation Revenue) don’t quite match the ones in GTC 7	
60	GTC 66	66.8	Also does the drafting need to be more specific regarding “other special conditions of the licence”?	
61	GTC 66	66.9	Do these terms align with the PCFM?	
Special Condition – Specified financial adjustments – Transmission Owner (comments provided on updated version of condition provided on 15/8/12)				
62	GTC 27	27.6	As to sub-para (a), we are unsure how this is directly linked to the handbook. A valuation is mentioned in paragraph 3.13 of the handbook, is this what is intended? This is generally unclear how it is linked with the handbook. As to sub-para (c), again there does not seem to be any reference in the handbook to provide for a review of the level of payments. Please clarify how this is linked to the handbook.	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
63	GTC 27	27.13	This paragraph accords with paragraph 4.5 of the handbook, however, the language used is inconsistent in that the reference is to "all formula years" and thus presuming more than 1 year yet then this zero amount only applies as at 1 April 2013.	
64	GTC 27	27.27	Rather than 14 days suggest 28 days as consistent with the other RIIO conditions.	
Special Condition – Specified financial adjustments – System Operator (comments provided on updated version of condition provided on 15/8/12)				
65	GTC 65	65.3	Terms used for revenue (e.g. Base NTS System Operation Revenue) don't quite match the ones in GTC 7	
66	GTC 65	65.6	As to sub-para (a), we are unsure how this is directly linked to the handbook. A valuation is mentioned in paragraph 3.13 of the handbook, is this what is intended? This is generally unclear how it is linked with the handbook. As to sub-para (c), again there does not seem to be any reference in the handbook to provide for a review of the level of payments. Please clarify how this is linked to the handbook.	
67	GTC 65	65.8	We suggest that this provision is expressly linked to paragraphs 3.31 and 3.34 of the handbook.	
68	GTC 65	65.13	This paragraph accords with paragraph 4.5 of the handbook however the language used is inconsistent in that the reference is to "all formula years" and thus presuming more than 1 year yet then this zero amount only applies as at 1 April 2013.	
69	GTC 65	65.27	Rather than 14 days suggest 28.	
Special Condition – Annual Iteration Process for the GT1 Price Control Financial Model (comments provided on updated version of condition provided on 15/8/12)				
70	GTC 26	26.1	We suggest that these definitions are moved to GTC19. In any event, the other price control conditions have the introduction first, and then the definitions, rather than the definitions as the first paragraph. As to "Formula Year", this refers to MOD and then SOMOD, we understand the intent to be either the TO control or the SO control, but the drafting should make this clearer.	
71	GTC 26	26.6	As to the reference to "price control adjustments", the usual description is just "adjustments". Please clarify.	
Special Condition - Governance of GT1 Price Control Financial Instruments (comments provided on updated version of condition provided on 15/8/12)				
72	GTC 57	57.5	What does 'significant impact' mean?	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
73	GTC 57	57.7	As per previous discussions regarding this licence condition, we are concerned regarding what constitutes a “manifest error”. We would welcome further clarification on this as we cannot provide meaningful feedback on this condition until a clear definition has been provided.	
74	GTC 57	57.14	Amend first line to read, “If the licensee states... in order to provide ability for licensee, subject to a reasonableness test, to ensure that no changes with a significant impact on it can be imposed.	
Special Condition – Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity				
75	GTC 30	30.2	This introduction does not refer to the provision of the methods report under Part E. Please include.	
76	GTC 30	30.7(f)	Do not believe that this is relevant for the NTS licence.	
Special Condition – System Management Services				
77	GTC 36	36.14	We do not believe that Part D is required.	
78	GTC 36	36.27	As to the reference to revisions of a statement, and in particular the reference to Part F, Part F applies to a revision of a methodology (rather than statement) and thus this should be clarified. Further, the statement to be provided under paragraph 36.17 does not seem to be applied to this paragraph. Is this because this statement may not be revised?	
79	GTC 36	36.32	Suggest deletion as Standard Special Condition A26 already provides for this.	
80	GTC 36	36.34	As to the definition of “Balancing Trade”, why not just refer to “Eligible Balancing Action as defined in the Network Code rather than confuse by using “Balancing Trade”.	
Special Condition – Transmission Planning Code				
81	GTC 37	37.12	DN Operators are only relevant to exit capacity and not entry capacity. Thus this should be carved out.	
Special Condition – Methodology to determine the release of NTS Entry Capacity and NTS Exit Capacity volumes				
82	GTC 126	126.3	Why is the date 2014 and not 2013?	
83	GTC 126	126.4	What is envisaged by a “non confidential version” of the statement?	
84	GTC 126	126.6	As in previous communications, auditors will not give an opinion on this, needs to be agreed upon procedures	

No.	Condition number / RIIO tracking number	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Standard Conditions – Application of Section C (Transportation Services Obligations) (Condition 2)				
85	GTC 112	General	We do not understand why this condition is being changed	
Standard Conditions – Termination of Shipping Arrangements (Condition 28)				
86	GTC 95	General	We do not understand why this condition is being changed	
Common conditions – Disapplication				
87	GTC 29	General	Agree that Third Package means review needed, but we need to see the details	