

Supporting Document 5:
RIIO Licence Drafting Response Log
RIIO-T1/GD1: Second Informal Licence
Consultation

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Reference number(s) & Condition name			[ETC2] Reliability Incentive Adjustment in Respect of Energy Not Supplied			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SPTL	2A	RILEGt term: In TPCR4 and the rollover year the reliability incentive is recognised one year in arrears (from RIIO-T1 this moves to 2 years in arrears). Therefore for the purposes of para 2 only the year commencing 1 April 2012 needs to be recognised in the RIIO-T1 licence.		We believe paragraph 2 should be amended accordingly (delete reference to regulatory year commencing 1 April 2011).	O
2	NGET	All	Condition should refer to "Relevant Years" not "Regulatory Years".		Agreed. Change made.	A
3	NGET	4	Delete as next paragraph deals with this.		Agreed. Change made.	A
4	Ofgem (originally SHETL but applies to all TOs)	2.3	In the ENST definition, we originally included a table which set out the ENS volumes for each relevant year. All TOs have proposed an identical figure for each relevant year, so this volume can be easily captured in the text. NB – this change is without prejudice to our Final Proposals	See 2.3	Proposed consultation drafting refers to 'each Relevant Year'	O
5	NGET	2.11	Why has exception relating to three or fewer customers been deleted?		This has been replaced with the exemption for customers that have requested a lower standard of connection.	R

6	SHETL	2.3	Does the revenue cap include TIRG?		It was decided as part of Final Proposals that incentive caps and collars would be linked to base revenue plus TIRG. See page 2 - http://www.ofgem.gov.uk/NETWORKS/TRANS/PRICECONTROL/S/RIIO-T1/CONRES/Documents1/SPTS/HETLFPsupport.pdf	A
7	Ofgem	2.12b	The existing definition of 'exceptional event' includes byelaws & directives outside the licensee's control, but then excludes 4 paragraphs from the Electricity Act from this definition. The paragraphs referenced are wrong – this is probably because the Act has changed. We have been unable to find the correct paragraphs or the rationale for these paragraphs, and so propose to take out reference to these excluded 4 paragraphs.		Clarification required on what the exclusion is intended to cover. 'Exceptional event' currently defined differently in a number of conditions. Drafting in square brackets in the consultation draft – views welcomed.	O

Reference number(s) & Condition name			[GDC8] NTS Exit Capacity			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	WWU	8.5	In 8.5 the definition of IQI is referred to in the final proposals document and also a proposed definition of IQI is found in SSCA40. It would be sensible to have a single definition throughout the licence if the same document is referred to.		We propose to retain definition of IQI within condition to assist understanding of formula/condition.	R
2	NGGD	8.1	Suggest refer to Part B of GDC20.		Unnecessary	R
3	NGGD	8.3	Suggest refer to Part B of GDC20. Also insert the title of GDC20. The formula has not been provided yet and will need to be reviewed at the appropriate time As to "EXC", delete the full stop and replace with "; and".		Unnecessary Unnecessary Formula was provided (possible PDF reader issue) Disagree	R R NA R

4	NGGD	8.4	<p>The formula has not been provided yet and will need to be reviewed at the appropriate time</p> <p>As to ExCC: - "NTS operator" should be capitalised as it is a defined term; - delete the full stop and replace with "; and".</p> <p>As to ExFFct, "NTS operator" should be capitalised as it is a defined term.</p>		<p>Formula was provided (possible PDF reader issue)</p> <p>Agreed</p> <p>Approach to lists being considered internally.</p> <p>Agreed</p>	<p>A</p> <p>A</p> <p>O</p> <p>A</p>
5	NGGD	8.5	<p>The formula has not been provided yet and will need to be reviewed at the appropriate time</p> <p>As to "IQI", inset a semi colon at the end of the definition.</p> <p>As to "EIT": - insert "and is" before "derived"; - delete the full stop and insert "of this condition; and".</p> <p>As to EDC: - insert "and is" before "derived"; - delete the full stop and insert "of this condition."</p>		<p>Formula provided</p> <p>Approach to lists being considered internally.</p>	<p>A</p> <p>O</p>

6	NGGD	8.6	<p>Is it intended that the title above 8.6 be a "Part"?</p> <p>As to "NTSICHÉ", after sub-para (ii), delete the full stop and insert a semi colon.</p> <p>As to "NTSTVE", delete the full stop and insert a semi colon.</p> <p>As to "Y", delete the full stop and insert a semi colon.</p> <p>As to "Pt", delete the full stop and insert a semi colon.</p>		<p>No</p> <p>Approach to lists being considered internally.</p>	<p>R</p> <p>O</p>
7	NGGD	8.7	<p>Is it intended that the title above 8.7 be a "Part"?</p> <p>As to "NTSMAE", delete the full stop and insert a semi colon.</p> <p>As to "NTSBB":</p> <ul style="list-style-type: none"> - the reference to "NTS" should be "NTS Operator"; and - insert "; and" at the end of the definition. <p>As to "NTSOC":</p> <ul style="list-style-type: none"> - the reference to "NTS" should be "NTS Operator"; and - insert a comma at the end of this definition. 		<p>No</p> <p>Approach to lists being considered internally.</p>	<p>R</p> <p>O</p>
8	NGGD	8.8	<p>These definitions should be set out in GDC19.</p>		<p>Agreed – will be addressed in final draft.</p>	<p>O</p>
9	SGN	Whole condition	<p>Several formulae are missing from the condition. Our comments are based on the assumption that these formulas will be the same as those given in previous drafts.</p>		<p>Formula was provided (possible PDF reader issue)</p>	<p>NA</p>

10	SGN	Title	We had previously suggested that the title should mention incentive revenue and had understood that the title had subsequently been changed to 'NTS Exit capacity cost adjustment and incentive adjustment'.		We do not propose to change title.	R
11	SGN	Appendix 1	We understand that Ofgem intends to change the way that capacity is booked so that it is booked by offtake rather than zone. The table does not reflect this change.		The table will be revised to reflect number of offtakes for statutory consultation.	R

Reference number(s) & Condition name		[GTC 9] The Innovation Rollout Mechanism [ETC9] The Innovation Rollout Mechanism [GTC9] The Innovation Rollout Mechanism				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1		Throughout	Capitalise and define Relevant Adjustment		Agree	A
2	NGET	General	<p>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</p> <p>Definition of Network Equipment seems too narrow – what about field IS devices?</p> <p>There are still a couple of “Regulatory” rather than “Formula” years included.</p>		<p>This process allows for the determination of a relevant amount and its incorporation into the financial model. The process also allows the Authority to consider Notices made by licensees carefully.</p> <p>Please can you explain your concerns regarding the definition of Network Equipment further (and suggest further drafting which would address your concern).</p> <p>References to Formula/Relevant years as appropriate.</p>	-

3	SGN SHETL	General	<p>As we understand it, the purposes of this condition are: (a) to allow licensees to apply for funding to roll out a Proven Innovation; (b) to allow the Authority to determine and direct the IRM value; and (c) to allow the Authority to adjust the IRM value once the actual expenditure is known.</p> <p>The current drafting is not at all clear. For example, 9.1 only describes the revision of IRM, not the application for or determination of the original IRM.</p> <p>It should also be clear that we may wish to apply to roll out a proven innovation over a number of years – we should be able to adjust our allowed expenditure for more than one year.</p>		<p>This understanding is correct where the application conforms to the requirements of the condition.</p> <p>It is clear that the initial IRM value will be set at £0m unless directed otherwise by the Authority.</p> <p>The condition then sets out how adjustments are determined and then directed as part of the financial model.</p> <p>This is what having the IRM as part of MOD will do.</p>	-
4	NGGD	9.1	Suggest a definition of “Innovation Roll-out” be provided.		This has been defined as, ‘the incorporation of a Proven Innovation into an Ordinary Business Arrangement.	A
5	NGET NGGD	9.2	Suggest moving definitions in this paragraph to global definitions		This is currently consistent with other PCFM conditions. If this change is made it will be made consistently across all PCFM conditions consistently.	O

6	NGGD	9.2	<p>As to the definition of "Formula Year t":</p> <ul style="list-style-type: none"> - refer to "Part C" of GDC20; and - insert GDC20. <p>As to the definition of "PCFM Variable Value" and the reference to "Special Condition", again we suggest that this term be replaced with "Price Control Condition".</p>		<p>All suggested drafting changes have been made.</p> <p>As discussed at the LDWG we will not be referring to conditions as Price Control Conditions but instead we will be using Special Conditions.</p>	A R
7	NGGD	9.3	<p>Insert "Innovation Roll-out" before "allowed" and then delete "Innovation Roll-out for" on the third line. This is consistent with the drafting in paragraph 9.1 above.</p>		<p>This change has been made.</p>	A
8	NGET	9.4	<p>9.4 (a) there are only two windows specified and they are specified in Part C not Part D.</p> <p>As to sub-para (b), should "IRM values" be used instead of "Innovation Roll-out allowed expenditure"?</p> <p>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.</p> <p>Reference to "Base Transmission Network Activity Revenue" is not the correct term.</p>		<p>Please see amended drafting which addresses these comments.</p>	A

9	SGN SHETL	9.4	<p>We note that this refers to three windows when actually only two are specified and they are specified in Part C, not Part D.</p> <p>As we have said in many occasions in the Licence Drafting Working Group and Innovation Working Group, we do not consider two windows to be sufficient. We do not believe it is appropriate that proven innovations that are capable of delivering immediate benefits to current customers and / or GDNs should be delayed due to timing of windows or administrative arrangements. The current drafting suggests that we are only able to apply for costs that have not yet been incurred. However the first opportunity to apply in the current drafting is 1 May 2015, with determination from the Authority by October 2015, therefore we would be unable to roll out any innovations that we expect to incur material costs before April 2016</p>		<p>Reference to three windows has been changes as there are only two windows.</p> <p>The reference to Part C has been corrected.</p> <p>As previously noted we expect anything licensees proposed to rollout in the early years of the price control to have been included and justified in the GD1/T1 business plans. Anything the licensee expects to rollout at the end of the price control we would expect to be included and justified in the business plan for the next price control.</p>	<p>A</p> <p>A</p> <p>R</p>
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10	NGGD	9.4	<p>As to sub-para (a):</p> <ul style="list-style-type: none"> - should "IRM values" be used instead of "Innovation Roll-out allowed expenditure"? - rather than Part D, this should read Part C; <p>As to sub-para (b), should "IRM values" be used instead of "Innovation Roll-out allowed expenditure"?</p> <p>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.</p>	<p>"value" on the first line should be plural not singular. This is consistent with GTC9.5.</p> <p>Insert a comma after "value" on the first line.</p> <p>Rather than "calculated" to be consistent with GDC20, suggest "derived".</p> <p>Capitalise "Base" in order to be consistent with our comments under para 20.5 above.</p> <p>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)? Please clarify.</p>	<p>Value has been changed to values.</p> <p>A comma has been inserted.</p> <p>Calculated has been replaced with derived.</p> <p>Base has been capitalised.</p> <p>Please explain your concern with paragraph 9.4 in more detail.</p>	-
11	SHETL	9.5 (a)	<p>There appear to be some words missing before "... the approval of changes".</p>	<p>Should "takes account of" be included here?</p>	<p>These words have been added.</p>	A
12	NGET	9.5	<p>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)?</p>		<p>(a) allows for changes to IRM values as a result of this condition.</p> <p>(b) allows for changes in revenue as a result of the totex incentive mechanism</p>	R

13	NGGD	9.5	<p>IRM appears to be part of MOD; Does this suggest incentives are going to within the MOD? If so, what about other RIIO incentives?</p>	<p>As to the title, insert "Innovation" before "rollout". After "that this" on the fourth line insert "additional funding".</p> <p>As to sub-para (a):</p> <ul style="list-style-type: none"> - suggest the insertion of a definition of "lowcarbon energy sector"; and - we also think that "wider environmental benefits" is generally not clear. <p>As to sub-para (c):</p> <ul style="list-style-type: none"> - insert "otherwise" before "receive"; - delete "(for instance where a project pay for itself for example through costs savings then this would not be eligible)" ; and - 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)"; <p>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?</p>	<p>The IRM is not an incentive, it is an adjustment to base revenue. Incentives will not be part of MOD.</p> <p>Innovation has been inserted.</p> <p>Please see new definition of 'carbon benefits'.</p> <p>Please suggest a definition of environmental benefits.</p> <p>Please see amended text for (c)</p> <p>The licensee will report any expenditure on IRM activities through the RIGs for each notice. We also note that the Authority can make its decision conditional on a number of factors including requiring a separate bank account.</p>	-
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14	NGGD NGET	9.6	<p>As to sub para (b) – why only benefit electricity consumers?</p> <p>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)”;</p> <p>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?</p>		<p>Because of the structure of the various acts the Authority makes decisions in the interests of either gas or electricity consumers depending on the situation rather than energy consumers.</p> <p>Please see amended draft of (c)</p> <p>The licensee will report any expenditure on IRM activities through the RIGs. Any over or under spend will be shared with consumers through the Totex Incentive Mechanism.</p> <p>Please see earlier comment in response to sub-paragraph (d)</p>	-
15		9.6(a)	Definition required for ‘low carbon energy sector		Carbon Benefits have been defined.	A
16	NGN WWU	9.6 (b)	Delete “electricity consumers” and replace with “gas consumers”. It may be preferable to have this more generically as customers rather than fuel specific.		These changes have been made as appropriate.	A
17	NGGD	9.6 (a)	Amend Text “will contribute to the development in Great Britain of a low-carbon energy sector or any wider environmental benefits”	to: “will contribute to the development in Great Britain including low-carbon energy, climate change agenda or any wider environmental benefits”	The suggested change would change the effect of the condition which we have clearly stated is to fund the rollout of innovations with carbon and environmental benefits.	R
18	NGGD	9.6 (b)	Amend text “will provide long-term value for money for electricity consumers”	To: “will provide long-term value for money for electricity and gas consumers”	Text has been amended to refer to correct sector as appropriate.	A

19	SGN SHETL	9.6(c)	It needs to be made clear that this provision only applies where the commercial benefits would cover the costs of the roll out.	Will not enable the licensee to receive commercial benefits from the roll out that will allow the licensee to recover the additional costs of the roll out within the remainder of the Price control Period.	Please see amended text.	A
20	WWU	9.6(c)	This should not be a total bar as such benefits should be taken into account in the allowance		This comment is not clear. This drafting is in line with previous policy decisions that have been set out regarding the IRM.	O
21	SGN SHETL NGGD	9.7	As in many other areas, we do not agree with the logic of applying the Efficiency Incentive Rate to set a materiality threshold. In addition, we suggest that the materiality threshold should be based on Average Annual Base Revenue to ensure that we are not prevented from rolling out an innovation if for some reason out costs and hence our revenue is particularly high in one year.		If a licensee feels strongly regarding the rollout of an innovation it wishes to rollout it can do so using its ex-ante allowance. Any overspend against the licensees allowance will be shared with consumers through the totex incentive mechanism. In making its decision whether to go ahead the licensee will consider the effects of this mechanism. Therefore it makes sense to include it as part of the uncertainty mechanism. Please note new name: Totex Incentive Strength Rate.	R
22	NGGD	9.7	Insert "costs" after "these". As to the use of "relevant adjustment", see our comment under para 9.26.		These changes have been made.	A

23	NGGD	9.9	As to sub-para (a) and the reference to "Special Conditions", as previously commented on, this should refer to "Price Control Conditions" as will be defined in GDC19.		As noted above this approach to drafting was discussed at the LDWG.	R
24	NGET	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?		Where the rollout of an innovation results in a financial benefit to the licensee the consumer will also receive a share of this through the totex incentive mechanism. However, in the case of innovations funded under this condition these will not exist. Therefore the Authority needs to be assured that any expenditure is commensurate with the benefits it delivers.	-
25	SGN SHETL	9.9(b)	As explained above, if we are only able to recover costs that have not yet been incurred then it is important that there are sufficient windows to apply for funding such that we are not forced to delay any roll out.		Please see comment above regarding business planning.	R
26	SGN SHETL	9.10 (a) and (b)	As explained above this does not allow us to recover any costs incurred in 2013 and 2014.		Please see comment above regarding business planning.	R
27	NGGD	9.11	Delete "any of those application windows" and replace with "both the first application window and the second application window referred to in paragraph 9.10". Insert a comma after "case".		Please see amended text.	A

28	SHETL	9.12 (e)	This refers to Part B. We think it should be Part A.		This error has been corrected.	A
29	NGGD	9.12	As to sub-para (c), insert commas after "out" on the first line and "Costs" on the second line. As to sub-para (e), this should refer to Part A rather than Part B. As to sub-para (f), delete "end products" and replace with "outcomes".		Suggested changes have been made for (c) and (e). Please explain concerning (f), the proposed drafting is in line with the RIIO principles.	A R
30	NGGD	9.13	Delete "and final" as unnecessary.		This has been retained so that it is clear that no new windows will be added once the licence is in force.	R
31	NGET	9.14	Equivalent of this condition in gas make 9.14 subject to 9.15 and 9.16		This has been corrected.	A
32	NGGD	9.15	As to sub-para (b), suggest that this expressly refer to Part A. As to sub-para (c), rather than "Special Conditions", this should be "Price Control Conditions"		This has been changed to refer to Part B to make it clear the Authority will also consider the licensees notice. This change has been made.	-

33	NGGD	9.18	<p>- As to the reference on the first line to “allowed expenditure” should this refer to “Innovation Roll-out allowed expenditure”?</p> <p>- As to the reference to “approved notice”, is this a reference to an adjustment determined under paragraph 9.14? This needs to be clarified;</p> <p>- as to the reference to “after any modifications directed under Part E “, Part E provides for the Authority to “determine the relevant adjustment” and no provision is made for a direction. Should this instead refer to Part G which provides for directions? Please clarify Also query the use of the word “modification” as it is not used in Part G; and</p> <p>- “price control period” should be capitalised.</p> <p>Comments on Table 1: We think Table 1 generally unclear.</p> <p>- insert “Innovation Roll-out” before “Allowed” in the title;</p> <p>- should the title of Table 1 refer to Part G rather than Part F. Again, query the use of the word “modification” in the title of Table 1;</p> <p>- as to the reference to “Innovation Rollout Mechanism Expenditure” this is a phrase not previously used in this condition and we think should be deleted as it is not necessary;</p> <p>- as to the reference in Table 1 to “IRM Notice”, why do we need to detail this? Further, how does this make provision for the 2 application windows? Shouldn’t we keep this simple and just refer to the directed amounts under each application window in each year?</p> <p>- an amendment is also required to avoid the need to go through the licence modification procedure to revise Table 1 to implement a direction. Thus add on to paragraph 9.18, “Any direction made under Part G of this condition shall be deemed to be set out in Table 1.”</p>		<p>The title has been changed.</p> <p>The meaning has been clarified through amended drafting.</p> <p>Part E determines whether an adjustment should be made. Part G allows the adjustment to be directed. Please see amended text.</p> <p>Price Control Period is capitalised.</p> <p>This should have been made clear by the current drafting. Please explain your concern if this is not clear.</p> <p>Innovation Rollout has been added</p> <p>It should refer to part G</p> <p>Please see new title...</p> <p>It makes it clear how much has been allowed for each notice that is granted.</p> <p>It makes it clear when the application has been made and what the application was for.</p> <p>Please see amended Part F</p>	-
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34	NGET	9.18	Change needed to avoid need for statutory licence modification process	Add to end of paragraph. Any modification directed under Part E of this condition shall be deemed to be incorporated in Table 1	Please see new drafting in Part F. No values are directed as a result of Part E.	A
35	NGET	9.19	Change needed to avoid need for statutory licence modification process	Add to end of paragraph. Any modification directed under Part E of this condition shall be deemed to be incorporated in Table 1.	Please see new drafting in Part G.	A
36	SHETL	9.19	We are not sure what this is doing or how it would work in practice.		The drafting of Part F was incorrect in the previous iteration. Please see new drafting.	A
37	SHETL	9.20	This value needs to be determined on by the Authority in line with ETC47 – Determination of PCFM Variable Values.		Drafting to this effect has been added.	A
38	SGN	9.20	If directed by the Authority by 30 November, there is a risk this doesn't provide us with sufficient notice to adjust notice of charges for the following year.		Please explain why this is the case. The drafting of this condition is consistent with other PCFM conditions.	R

39	NGGD	9.19	As to the reference on the third line to "allowed expenditure" should this refer to "Innovation Roll-out allowed expenditure"? As to sub-para (a), delete "concerned" and replace with "applicable". As to sub-para (b), the reference to "Part F" is unclear. Should this be a reference to a direction under "Part G"?		This has been changed to IRM values Concerned has been changed with applicable. This has been changed to refer to Part G.	-
40	NGGD	9.22	As to sub-para (a), Part H should refer to Part F? As to sub-para(b): - the standard period is 28 days rather than 14; - the reference to "determination" should instead be to "direction"		This has been changed to refer to F. This is consistent with other PCFM conditions. If the period was 28 days it would bring forward the deadline for companies submitting information that feeds into the PCFM to Ofgem. The reference to determination has been changed as suggested.	-
41	NGET	9.22	Change notice period to 28 days from 14		See response to previous comment.	R
42	NGGD	9.23	This paragraph should refer to paragraph 9.22 not 9.23.		This has been corrected	A

43	NGET	9.23	Change: The Authority shall have due regard to any representations or objections duly received under paragraph 9.23, and give reasons for its decisions in relation to them	To: The Authority shall have due regard to any representations or objections duly received in response to the notice given to the licensee under paragraph 9.22, and give reasons for its decisions in relation to them	This change has been made.	A
44	NGGD WWU NGET	9.24	The Handbook sets out the meaning of "time value of money adjustment". This should be reviewed and its applicability here confirmed. Insert reference to where "time value of money adjustment" defined.		Please see amended text where a cross reference to ETC/GTC/GDC57 has been included.	A
45		9.24	GDC 26 definitions in two places refer to electricity		Reference to electricity has been removed.	A
46	WWU	9.25	this is the only real sanction on Ofgem to deliver- consider extending it to other like conditions		This drafting is included in other PCFM conditions.	R
47	SHETL	9.25	What does 'shall take full account of the position' mean? How will the authority determine this? What procedure will it adopt? What assessment criteria will it use?		This means that adjustments will be NPV neutral.	-
48	NGGD NGET	9.25	Insert the title of GDC26 in accordance with usual custom. As to the reference to "full account of the position", what does this actually mean? How will the Authority do this and against what criteria? What procedure will it use?		This has been added. This means that adjustments will be NPV neutral.	-

49	NGGD	9.26	<p>Please correctly punctuate the definitions as a list.</p> <p>As to the definition of "Innovation": delete "in relation to its use in a defined term of this condition," as these words are not required;</p> <p>Could an innovation be within the scope of an Ordinary Business Arrangement but just result in greater efficiency or effectiveness? The answer to this is No, but the definition needs to change to reflect the wording in the NIA document.</p> <p>As to the definition of "Ordinary Business Arrangement":</p> <ul style="list-style-type: none"> - sub-para (c) should be limited to existing operation practice or commercial arrangements? <p>The definition of "Price Control Period" should be set out in GDC19.</p> <p>As to the definition of "Proven Innovation":</p> <ul style="list-style-type: none"> - please remove the reference to "Transmission Operator" and replace with [DN Operator] as that is defined in Standard Special Condition A3; and - delete "their network" and replace with "the pipe-line system to which this license relates". <p>As to the definition of "relevant adjustment", it would seem more appropriate to expressly refer to para 9.9 here as this is where term in effect is defined.</p>		<p>The punctuation has been changed as suggested.</p> <p>Please can you explain in more detail as it is not immediately clear.</p> <p>The last part of the definition makes it clear that it is something currently in use or capable of being used without modification.</p> <p>This may move to GDC19 when the licence goes to statutory consultation.</p> <p>The reference to the type of licensee has been corrected.</p> <p>The members of the IWG were not comfortable with the use of the term pipe-line system in that document. We have asked them to suggest alternative definitions.</p> <p>The definition of relevant adjustment has been changed as suggested.</p>	-
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50	NGGD	9.26	Definition needs to align with definitions in Clause 3.6 the NIA Governance document [ETC/GTC/GDC11] once approved Amend text " (a) a specific piece of new Network Equipment (b) a novel arrangement or application of new or existing Network equipment (c) a novel operational practice or a novel commercial arrangement"	"(a) a specific piece of new (i.e. unproven in the GB) Equipment. (b) a novel arrangement or application of existing equipment (c) A novel operational practice; or (d) A novel commercial arrangement"	Please see amended drafting because of other comments regarding circularity of references we have defined New Network Equipment and it has not been possible to incorporate this comment.	R
51	NGGD	9.26	Amend text: "means an innovation which the Transmission operator can demonstrate has been successfully trialled or demonstrated either on their network or elsewhere"	to: "means an innovation which the Network operator can demonstrate has been successfully trialled or demonstrated either on their network or elsewhere"	Please see amended text where the correct type of licensee has been referred to.	A
52	WWU	9.26	The definitions of "ordinary business arrangement" and "proven innovation" seem to refer to electricity rather than gas distribution – Is this correct?		References have been changed to the correct type of licensee.	A
53	NGGD WWU NGET	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. We do not agree to this provision at this stage as we need to see a draft copy of the RIGS and the NIA Governance document in order to more fully understand what Ofgem is proposing to provide.		This paragraph has been removed.	A

54	SGN SHETL	Part F	We do not understand how these figures can be fixed in the licence as, under the current drafting, the IRM figure is zero until the licensee applies and the Authority determines on a figure. The figures will therefore only be known at a later date. For 2013/14, 2014/15 and 2015/16 these will be zero as the drafting does not allow for licensees to apply for IRM for these years or receive revenue until 1 April 2016.		As explained in paragraph 9.1 they are set at £0m unless otherwise directed. Does this allay your concerns? If not please explain.	R
55	SGN	Part H: Definition of Proven Innovation	Transmission Operator should be replaced with Gas Distribution Network.		This has been corrected.	A
56	SGN	Part H: Definition of Proven Innovation	There is a circular argument here. The definition of Proven Innovation is an Innovation that has been successfully trialled or demonstrated on our network or elsewhere. However included in the definition of Innovation is that it is not, or is not within the scope of, an Ordinary Business Arrangement, i.e. it is not being used or capable of being used on ours or another's network. We understand the intent here but suggest there might need to be a slight rewording.		Just because something has been proven does not mean it is an Ordinary Business Arrangement.	R

57	SHETL	Definiton of Proven Innovation	<p>Do not believe the definition of Innovation works in relation to reference to new Network Equipment as Network Equipments is defined as equipment that already forms part of the existing network.</p> <p>We also need to cross reference definition of Innovation with the NIA condition and the NIC condition when developed and governance documents to ensure consistency.</p> <p>There is a circular argument here. The definition of Proven Innovation is an Innovation that has been successfully trialled or demonstrated on our network or elsewhere. However included in the definition of Innovation is that it is not, or is not within the scope of, an Ordinary Business Arrangement, i.e. it is not being used or capable of being used on ours or another's network. We understand the intent here but suggest there might need to be a slight rewording.</p>		<p>Please see definition of New Network Equipment.</p> <p>Innovation is not defined in the NIA or NIC licence conditions or Governance Documents.</p> <p>Please see earlier comment regarding Proven Innovation.</p>	-
58	SGN	Part H: Definition of Proven Innovation	<p>Another circular argument. The definition of new Network Equipment refers back to Network Equipment, which is defined as equipment that already forms part of the existing network.</p>		<p>Please see new definition of New Network Equipment.</p>	A

59	NGET	Definition of Innovation	Delete: In relation to its use in a defined term in this condition		This has been removed.	A
60	NGET	Definition of Network Equipment	Should this refer to the Licensees transmission system?		Please see amended drafting.	A
61	NGET	Definitions	Move Price Control Period and Price Control Conditions to general definitions section.		Please see earlier comment regarding global definitions.	O

Reference number(s) & Condition name		[ETC 10] Network Innovation Competition [GDC 10] Network Innovation Competition [GTC 10] Network Innovation Competition				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET	ETC-10	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.	Noted some minor track changes to the licence condition	We have incorporated most of the minor track changes. One we have not made is the suggestion to amend paragraph 10.1. The reason for this is that the NIC will be a competition for both electricity transmission and distribution. Whilst we recognise that a majority of projects from the TOs will be transmission focussed we also hope they will have benefits/learning for the whole electricity network. We have also tweaked the introduction to ensure consistency between the NIC and NIA conditions	A
2	NGET	ETC-10 (10.10-10.13)	Shouldn't these be in the definitions section?		We consider this are important parts of the condition and therefore they warrant being within the text.	R

3	SPTL	ETC-20	As NICFt is indicated to be for NGET only, the term IIt becomes equal to NIAt for SPTL and this part is not necessary.	Incorporate term NIAt directly into the Principal Formula and mark part E as "not used" for SPT	We agree. We will incorporate both the NIAt and NICFt (where applicable) into the principal formula and remove references to IIt	A
4	SSE	Pg. 34 / para 20.13	NIC - we are unclear as to why this needs to go solely into NGET's licence and would appreciate clarity on the thinking that underpins this decision		In the RIIO strategy decision documents we took the decision that the funding for the NIC will be socialised across all consumers. We then took a further decision in March 2012, following suggestions from SP and SHETL that the simplest way to implement this would be for NGET to collect the NIC on behalf of all licensees. In addition to SHETL and SP, Offshore Transmission Owners are also included in NIC. Therefore this is the simplest mechanism to raise and transfer funds amongst all eligible licensees. We described this proposed mechanism at the 28 June LWG and no objections were raised. We have also consulted the NGET charging team on the proposed mechanism.	N/A

5	SSE	Pg. 61 / para 10.9	Disallowed Expenditure – definition should make reference to the instances that might result in expenditure being disallowed.		Funding may be disallowed where it is not spent in accordance with the Governance Document. We have now published an informal consultation on the NIC Governance documents. This closes on 20 November. For more information, please see here .	R
6	SSE	Pg. 62 / para 10.11	Not sure that the reference to „Use of System Charges“ is appropriate. Alternative wording suggested	Alternative wording: <i>“... that have not been otherwise remunerated by Base Revenue (as defined in [ETC 20]), Excluded Services, or the NIC Funding Mechanism.”</i>	Change incorporated	A
7	SSE	Pg. 63 / para 10.19	The reference in this paragraph to applicable provisions is unclear.		Wording has been amended	A?
8	SSE	Pg. 63 / para 10.20	We suggest that all of these modification sections should make provision for the licensees to recommend changes; the detail of how this operates could be captured in the supporting document.	<i>“Where the licensee identifies a potential modification to the NIC Governance Document that would better facilitate the achievement of the intentions of this condition, they may propose a modification to the Authority in accordance with the procedure set out in [section X] of the NIC Governance Document.”</i>	The draft NIC governance document is currently being consulted on and licensees can suggest amendments. Further the current provisions of issuing a revision of the governance document, also allow future consultation for changes	R

9	SSE	Pg. 64 / para 10.22	We are unclear on the purpose of this paragraph		This paragraph allows us to issue the Governance document at the same time as the Licence condition, so that it can come into effect in time for the start of T1/GD1. We don't have to wait for the licence condition to come into force to undertake the statutory consultation on the governance document.	N/A
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Reference number(s) & Condition name		[GTC 11] The Network Innovation Allowance [GDC 11] The Network Innovation Allowance [ETC 11] The Network Innovation Allowance				
No.	Comment from	Page/Pa ra. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET/NGGT	General	<p>Note that "Regulatory" year should be replaced by "Formula" year throughout condition.</p> <p>Is the definition of Gas Transmission Group valid?</p> <p>What has happened to the modification rules that were in previous versions?</p> <p>Why would all of the Licensee's allowances be incorporated in each individual licence?</p> <p>Should refer to the Governance Document consistently throughout.</p>		<p>Where appropriate 'Formula Year' and 'Regulatory Year' has been changed.</p> <p>This is to ensure consistent presentation with the NIA condition in other sectors.</p> <p>The change control process included in this iteration is the same as those set out in previous versions of this condition.</p> <p>The transmission licences will be split for the statutory consultation.</p> <p>The condition now refers to the Governance Document throughout.</p>	N/A

2	WWU	General	<p>The NIA governance document is another document which will sit outside the licence. Where, in other places such documents exist, there are safeguards written into the Licence. The safeguards include such matters as 1) the document may not exceed what is necessary to achieve the purposes of the Condition; 2) the document may not purport to have effect with respect to the interpretation of any other condition; 3) modifications to the document may not include the requirement for information provision, which could not be required under SCA26; 4) that the licensee cannot be required to produce documents which are legally privileged. It would seem appropriate that at least some of these safeguards should go into the NIA licence condition to control the modification of the governance document.</p>		<p>This is being considered by legal colleagues and will be addressed shortly.</p>	O
3	SGN	General	<p>The concept of the Network Innovation Allowance is not described within the current text. The definition in the interpretation refers back to the calculation but this does not explain what the NIA is/does.</p>		<p>As previously discussed at the Licence Drafting Working Group and in response to previous comments the introduction of Licence Conditions normally describes what the condition does, ie the mechanics of moving money and establishing a document in this case.</p>	N/A

4	NGGD	Page 106 – 7.62, Page 116 – 8.39	It states the proposed NIA is “self governing” however there are three exceptions where NG has to seek approval from Ofgem to commence projects in section 3 and 4 of the NIA governance document. This issue is being discussed at the IWG as it places delay on the process and the exception criteria is not agreed. The 31/8 response from NG to the IWG reflects this.		The NIA is largely self governing. However, there are a limited number of circumstances where licensees will require Ofgem’s approval before beginning projects. This has previously been consulted on and we recently published our decision on approach for the NIA.	N/A
5	SGN	11.1	The condition should describe what the NIA is.		As previously discussed at the Licence Drafting Working Group and in response to previous comments the introduction of Licence Conditions normally describes what the condition does.	R
6	NGGD	11.1	Suggest refer to “Part B” of GDC20 in this paragraph.		Please see amended draft of condition.	-
7	NGGD	11.2	Suggest expressly refer to “Part B” of GDC20 in this paragraph. Delete “in accordance with the Final Proposal for the RIIO:GD Price Control” as no need to refer to Final Proposals. Also please insert the title of GDC 20 after the reference to this paragraph.		The latest draft refers to Part B of GDC/ETC/GTC20. This has been deleted. We will include the condition title the first time we refer to another condition. Thereafter we will only use the number (this is the policy across all licence conditions).	-
8	NGGD/NGET	11.2	Would the NIA term would adjust the value of the II term down the way.		This has been made consistent. The value of the II term could be adjusted either up or down as a result of this condition.	A

9	NGGD	11.3	Delete the comma after "administration".		This has been deleted.	A
10	NGGD	11.4	Insert the title of GDC 20 after the reference to this paragraph. Also suggest refer to "Part B". Insert quotation marks around "Principal Formula".		Please see earlier comment 7. Part B has been referred to. Quotation marks have been inserted.	A
11	SHETL	11.5	ANIAt refers to part B or C – given special conditions for TOs are licensee specific, will the unused part will removed in subsequent drafting?		This condition for SHETL has now been split from the drafts for the other licensees. These were kept common during the licence development process.	N/A
12	NGGD	11.5	As to "NIA", delete the full stop and insert a semi colon at the end of the definition. As to "ANIA": - after "Formula Year t", insert "and is" for consistency purposes; and - delete the full stop and insert "; and" at the end of the definition. As to the definition of "NIAR": - suggest that this definition cross refers to paragraph 11.10; and - the reference should be to "Part C" rather than "Part D".		All suggested changes have been made.	A
13	NGGD NGET NGGT	11.6	We suggest this paragraph is not needed		This paragraph makes it clear that only eligible expenditure can be recovered through the NIA.	R

14	NGGD	11.7	<p>As to "PTRA" and "ENIA", delete the full stops and replace with semi colons.</p> <p>As to "BPC";</p> <ul style="list-style-type: none"> - please delete the full stop and replace with a semi colon; - the meaning of "Network Innovation Competition" should be clarified by reference to a relevant condition; - after "Competition" insert a comma. <p>As to "NIAV":</p> <ul style="list-style-type: none"> - delete "(which has effect as part of this condition)"; and - delete the full stop and replace with "; and". <p>As to "BR":</p> <ul style="list-style-type: none"> - please capitalise "base"; - delete "as" and replace with "and is" for consistency purposes; and - please also insert the title of GDC20 after the reference to GDC20. 		<p>Please see the changes that have been made to this paragraph.</p> <p>NIC has been defined by cross referencing to that licence condition.</p> <p>ENIA and BPC have been changed to reflect our decision that they will not be reported through an annual NIA report but through the RIGs instead.</p> <p>Regarding references to other licence conditions please see response to comment 7 above.</p>	A
15	NGET/NGGT	11.7	<p>Need terms ("Base Transmission Network Activity Revenue") to be consistent with GTC 20 plus TOBR not BR</p>		<p>We have checked and ETC20 will revert to BR for TO Base Revenue. SOBR will be used for System Operator Base Revenue.</p>	R

16	SGN/NGET/ NGGT/SHET L	11.7 Definition of BPCT	<p>The drafting is incorrect. It is irrelevant whether you are part of a Gas Distribution Group – a cap will still apply. Notwithstanding this, it is unclear what is intended by the drafting. Is the cap on bid costs that are recoverable in any year intended to be the lesser of £175k or 5% of annual NIC funding requested, total NIC project costs in that year, or the total project costs for an individual project? Ofgem’s August decision letter states that it is 5% of total project costs; we agree with this and suggest that the drafting be changed accordingly.</p>		<p>The drafting caps the amount that can be recovered by a licensee or a group of licensees with the same ultimate controller at £175k or 5% of the amount requested from the NIC. Please see the amended drafting. If you have any further questions or comments please contact networks.innovation@ofgem.gov.uk</p>	R
17	NGGD NGGT	11.8	<p>As to the reference to “Eligible NIA Internal Expenditure”, how is this different to the definition of “Eligible NIA Expenditure”? Please clarify – it looks circular.</p> <p>Delete “determined” and replace with “derived in accordance with” for consistency purposes.</p> <p>“Where” should not be capitalised.</p> <p>As to the definition of “NIAIE”: - this definition seems circular; and - delete the full stop and replace with “; and”.</p>		<p>Changes have been made to reflect a drafting error in the previous iteration.</p> <p>NIA Internal Expenditure is expenditure on the internal resources of the licensee and forms a part of NIA Expenditure which also includes expenditure spent on other resources. This has been set out in the definition of Eligible NIA Internal Expenditure</p>	A

18	NGGD SGN	11.8	The value for "Z" is incorrect.	Z should have the value of 0.25	This has been updated following our consultation and decision.	A
19	SPTL	11.8	In respect of the BRt term paragraph 3.9 of the fast track final proposals states that NIA will be 0.5% of Allowed revenue not Base revenue		In paragraph 2.4 of the Initial Proposals document we say that references to a percentage of allowed revenue would reflect a combination of base opening revenue allowance plus any within period adjustments. We did not move from this in Final Proposals. The NIA term in the licence is a percentage of the BR term which is made up of the PU term (the opening base revenue) and the MOD term (the adjustment cause by the annual iteration of the price control model). This reflects what we said in initial proposals.	R
20	SGN	11.9	'Innovation incentive revenue' is not a defined term. We suggest that this is replaced with NIA.		This has been changed as suggested.	A
21	NGGD	11.12	Delete the comma after "document" on the first line. Also delete the comma after "governance". We need to review a copy of this document in order to finalise our comments.		Both changes have been accepted. Draft NIC and NIA Governance Documents are currently being consulted on and are available on our website. We also note that copies of the document have been circulated to members of both the IWG and the LDWG while this consultation was open.	A

22	NGGD	11.12	If revising the NIA Governance Document, the Authority should undertake at this at the suggested review period following a due consultation process.		The process for changing (para 11.17) the NIA Governance Document is set out in the condition and the steps that must be followed. It is clear that there will be an opportunity to make representations to the Authority and that the Authority must provide reasons for its decision.	-
23	NGGD	11.12	The Authority should provide details on how the review process will take place and through what medium. This to ensure that changes are not just imposed upon the licensees.		The process for changing (para 11.17) the NIA Governance Document is set out in the condition and the steps that must be followed. It is clear that there will be an opportunity to make representations to the Authority and that the Authority must provide reasons for its decision.	R
24	NGGD	11.12 (a)	The criteria has yet to be agreed via the Innovation Working Group (IWG)		The NIA Governance Document is currently being consulted on. As noted above we have previously consulted on these issues and published our decision regarding our approach moving forward.	O
25	NGGD	11.12 (b)	The criteria has yet to be agreed via the Innovation Working Group (IWG)		The NIA Governance Document is currently being consulted on. As noted above we have previously consulted on these issues and published our decision regarding our approach moving forward.	O

26	NGGD	11.12 (a) and (b)	It is not clear as to the difference between the criteria detailed in bullet (a) and those referred to in bullet (b)		Please see the amended drafting. A is explicitly about the criteria for NIA projects. B is regarding what information will need to be published C is regarding what projects will require permission before being implemented.	-
27	NGGD	11.12 (d)	The word implementation should be removed from the clause. The NIA Governance document details that knowledge information concerning "the project" should be disseminated in such a fashion that allows another licensee to be able to replicate the same result. This request for information may actually occur before a licensee has implemented the solution so it may not be possible to comply with this clause		Please see amended text.	-
28	NGGD	11.12 (f)	The arrangements for IPR has yet to be agreed via the Innovation Working Group (IWG)		The NIA Governance Document is currently being consulted on. As noted above we have previously consulted on these issues and published our decision regarding our approach moving forward.	-

29	NGGD	11.12 (g)	<p>This clause should be removed as the issue of royalties is covered by the NIA Governance document [ETC/GTC/GDC11] in clause 7.12 that “We do anticipate that these terms will be on arms-length terms or include provision for payment of royalties”. As royalties should not be included in future NIA projects why do we need a license condition to detail any?</p> <p>The arrangements for IPR has yet to be agreed via the Innovation Working Group (IWG)</p>		<p>The clause regarding royalties has been removed.</p> <p>We are currently consulting informally on the draft NIA Governance Documents including the IPR section.</p>	A R
30	NGET/NGGT	11.12	<p>As to sub-para (b), wouldn't these criteria be included under paragraph 11.12(a)?</p> <p>As to sub-para (d):</p> <ul style="list-style-type: none"> - 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? 		<p>These sub paragraphs set the scope of the NIA Governance Document. Further detail regarding the meaning of these words and processes is included in the NIA Governance Document.</p>	-

31	NGGD	11.12	<p>As to sub-para (a):</p> <ul style="list-style-type: none"> - after "by" on the first line insert "the Authority"; - delete the comma on the second line; - after "Authority" insert a comma; - would "assessment and approval" be covered by sub-para (b) and (c)? If so, delete from (a). <p>As to sub-para (b), wouldn't this criterion be included under paragraph 11.12(a)?</p> <p>As to sub-para (c), delete the comma after "(where necessary)".</p> <p>As to sub-para (d):</p> <ul style="list-style-type: none"> - can the meaning of "relevant matters" be clarified? - we are also 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? Please clarify. <p>As to sub-para (f), care needs to be taken here as licensees have property rights in IP and the Authority is not entitled to interfere with those rights.</p> <p>As to sub-para (i), delete the comma after "governance".</p>		<p>Please see the amended drafting.</p> <ul style="list-style-type: none"> -A is explicitly about the criteria for NIA projects. -B is regarding what information will need to be published -C is regarding what projects will require permission before being implemented. <p>Suggested changes have been made to the punctuation of these sub-paragraphs.</p> <p>Regarding IPR -The NIA Governance Document is currently being consulted on.</p> <p>As noted above we have previously consulted on these issues and published our decision regarding our approach moving forward.</p>	-
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32	SHETL	11.8	We are unclear on the definition of ENIA _t and the timings envisaged. We understand that the licensee will include its intended value for NIA in year t, when preparing its revenue forecast in November t-1, and then report on the projects conducted in t in its annual NIA report (currently published as the IFI report at the end of July t+1). Is this correct? If so, is there a clearer way of defining the term here?		Please see the amended text – following our recent NIA consultation we do not envisage a NIA annual report in the form of the current IFI annual report.	-
33	SHETL	11.8	NIAV _t and AFR - given special conditions for TOs are licensee specific, can the percentage be included in the definition?		The percentage will be included as an appendix so that there is consistency layout of this condition across sectors.	R
34	SHETL	11.18	Does the definition of BR need to cross-reference ETC20?		Yes – please see amended text.	A

35	NGGD	11.14	<p>As to notice being provided to all “Gas Transporter Licensees”, this term needs to be defined however, does notice need to be given to all IGTs as well? If not, should notice be given to “all licensees whose licenses a condition of similar effect to this condition has effect?”</p> <p>As to sub-paras (a) and (b), reference to “document” should be replaced by a reference to “NIA Governance Document”.</p> <p>As to sub-para (c), reference to “proposal” should in instead be to “proposed NIA Governance Document”.</p>		<p>This has been amended</p> <p>Sub paragraphs now refer to the NIA Governance Document.</p> <p>This paragraph now refers to Proposed NIA Governance Document.</p>	
36	NGGD	11.14	<p>Same comments as 11.11 above. The Authority should provide details on how the review process will take place and through what medium. This to ensure that changes are not just imposed upon the licensees.</p>		<p>Please see earlier comment.</p>	
37	NGGT	11.14	<p>Suggest deleting Gas Transporters and changing text to read:</p> <p>Licensees in whose licences a condition of equivalent effect to this condition has effect</p>		<p>This text has been changed as suggested.</p>	
38	SHETL	11.8	<p>In the definition of NIAIEt, we think the word Internal is missing. Amended text provided.</p>	<p><i>“NIAIEt is the Eligible NIA Internal Expenditure that qualifies as Eligible NIA Expenditure for the Relevant Year t.”</i></p>	<p>Please see amended text. The word internal was missing in the previous iteration.</p>	

39	SHETL	11.9	We think Z should have the value 0.25, in line with the August 2012 decision document.		We have now changed this figure to reflect our decision.	
40	SHETL	11.10	<p>This paragraph refers to “innovation incentive revenue” but the term is not capitalised. Is this intended to be a reference to the Network Innovation Allowance (NIA) as this is the component that NIAR feeds into? Or is it intended to refer to the Innovation Incentive Revenue (II) that NIA feeds into?</p> <p>We suggest that the term “Unrecoverable Expenditure” should be defined within the licence condition.</p>		Please see amended text.	
41	NGGD	11.16	<p>Assume this should instead refer to paragraphs 11.17 and 11.18</p> <p>After each reference to “taken” insert “by the Authority”.</p>		This has been corrected.	
42	NGGD	11.17	The reference should instead refer to paragraph 11.16		This has been corrected.	

43	NGGD	11.18	<p>Rather than full stops after each definition suggest semi colons and with the second last definition to set out “; and”.</p> <p>As to the definition of “Gas Distribution Group”: - there is no defined term in the licence of “Distribution Licensees”: the term should be “DN Operators” (see definition in StSpC A3. In any event, does this definition only apply to SSE?</p> <p>As to the definition of “Eligible NIA Expenditure”, suggest refer expressly to Part B.</p> <p>As to the definition of “Eligible NIC Bid Preparation Costs”, “Network Innovation Competition” has not been defined.</p> <p>As to the definition of “Network Innovation Allowance”, Part A needs to be read with the definition in the Introduction. This should be clarified.</p> <p>As to the definition of “NIA Percentage”: - this definition is not user friendly. Why cannot this percentage be set out here to avoid referring to another document? - rather than referring to “NIA projects”, should this refer to “Eligible NIA Projects”?</p>		<p>These have been changed.</p> <p>Please see amended definition</p> <p>This now refers to the Governance Document.</p> <p>Please see amended definition where the NIC licence condition is cross referenced.</p> <p>Please see amended text.</p> <p>This now refers to the appendix where the number can be found.</p>	
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44	NGGD	11.18	The ' <i>Allowable NIA Expenditure</i> ' term has a different definition in the NIA Governance document [ETC/GTC/GDC11]. Suggest that unrecoverable expenditure is included in section 8 if NIA governance		The definition in the Governance Document will be changed to be consistent with the definition in this condition.	
45	NGGD	11.18	The ' <i>Gas Distribution Group</i> ' term is not referenced in the NIA governance – please explain term. Suggest removing		It is used in relation to Bid Preparation Costs	
46	NGGD	11.18	The ' <i>Eligible NIC Bid Preparation Costs</i> ' term needs to be referenced in the NIA Governance document [ETC/GTC/GDC11].		It is used in relation to Bid Preparation Costs	
47	NGGD	11.18	The ' <i>Network Innovation Annual Report</i> ' format is not documented within section 5 of the NIA referenced in the NIA Governance document [ETC/GTC/GDC11].		This reference has been removed from the condition.	
48	NGGD	11.18	The ' <i>NIA Percentage</i> ' term needs to be referenced in the NIA Governance document [ETC/GTC/GDC11].		How the amount available is calculated using the condition. This is outside the scope of the Governance Document.	
49	NGGD	11.18	The ' <i>NIA scheme</i> ' term is not referenced at all within these conditions. Suggest to remove		This has been removed.	
50	SGN	11.18	Definition of Gas Distribution Group. Suggest that 'Gas' should be inserted before 'Distribution Licensee'.		This has been amended	

51	SGN	11.18	Definition of NIC Eligible Bid Preparation Costs. We suggest that this should refer to the NIC Governance Document rather than the NIA Governance Document to ensure that all relevant information is in one document.		As previously indicated the requirements regarding how NIA funds are spent needs to sit within the NIA Licence Condition and Governance Document.	
52	SGN	11.18	Definition of Network Innovation Annual Report. We suggest that this also needs to refer to the NIA Governance Document		This reference has been removed.	
53	SGN	11.18	Definition of NIA percentage. Suggest that this should also refer to Appendix II		This has been amended.	
54	NGET/NGGT	11.12(a)	Suggest deleting 'the assessment and approval of' from sub paragraph (a) as also appears in (b).		Please see amended text and earlier comment.	
55	NGET/NGGT	11.12	Further information required around what is to be shared, by whom and to whom.		This level of information is provided in the governance document.	
56	NGET/NGGT	11.12 (f), (g) and (h)	Care here as licensees have rights in IP Licence must not interfere with licensee's property rights. See comments on NIA governance document		We are currently consulting on the IPR requirements of the NIA	
57	NGGD		Typo in first line "Expressions defined in paragraph 11.19 above."	Should read "Expressions defined in paragraph 11.18 above."	This has been corrected.	A
58	NGGD		Assume the reference here should be to paragraph 11.18 not 11.19. Note that Z should be 25%		Both these points have been corrected.	A

59	SHETL	11.14	We suggest that all of these modification sections should make provision for the licensees to recommend changes; the detail of how this operates could be captured in the supporting document.	Additional text: <i>"Where the licensee identifies a potential modification to the NIA Governance Document that would better facilitate the achievement of the intentions of this condition, they may propose a modification to the Authority in accordance with the procedure set out in [section X] of the NIA Governance Document."</i>	Licensees will be able to raise suggested amendments with the document to Ofgem. We are not sure that this needs to be written formally into the condition.	
60	NGET/NGGT	11.14	This wording works in NGET's licence. In SHETL and SPTL's licences this should read "to the licensee, other Transmission Owners and the System Operator"		Please see amended text.	
61	SHETL	11.18	Definition of Electricity Transmission Group is unclear. Suggested wording based on GDN condition.	Alternative text: <i>"means a group of Electricity Transmission Licensees in which the licensee and every other Electricity Transmission Licensee within the group are affiliates of each other."</i>	This term is used for consistency across sectors.	
62	NGET/NGGT	11.18	Who does the term "Electricity Transmission Group" apply to?		It refers to all TOs	
63	NGET/NGGT	11.18	Eligible NIA Expenditure definition should refer to part B		This has been amended.	
64	NGET/NGGT	11.18	Definition of Eligible NIC Bid Preparation Costs	Need to define what these costs are.	This is defined.	
65	SHETL	11.18	As per email from Beverley Grubb, we believe the requirements for NIC Bid Preparation Costs should be in the NIC Governance Document to ensure all arrangements are in once place.		Please see comment above.	

66	NGGT	11.18	Definition of NIA Percentage Replace reference to Decision Document with actual number to remove number of cross references.		Please see amended text.	
67	SHETL	11.18	Network Innovation Allowance is not currently defined in Part A – see comment above.		Please see amended text.	
68	SHETL	11.18	Network Innovation Annual Report – suggest reference to the NIA Guidance Document should be included in this definition.		This reference has been removed.	
69	SHETL	11.18	NIA Percentage – in light of our comment above, we suggest a cross-reference to paragraph 11.13.			
70	SHETL	11.18	As this condition refers to two supporting documents that may differ, there needs to be a hierarchy set out in the event of a conflict between these documents.	Additional text: <i>"For the avoidance of doubt, in any case of conflict of meaning, the following order of precedence applies: (i) the licence, (ii) the NIA Governance Document, and (iii) the Regulatory Instructions and Guidance."</i>	Please see 'Context' section of Governance Document.	

71	NGGT	11.18	<p>Definition of Gas Transmission Group</p> <p>Not clear what this is intended to cover. "Gas Transportation" not a known concept under the Gas Act and his definition does not appear to cover any player in GB Gas Industry.</p>		Please see amended text.	
72	NGET/NGGT	11.18	Delete - this is not appropriate as is attempt to modify licence avoiding statutory licence modification process		This is standard text that is used throughout the licence.	
73	NGGD	Appendix	<p>Appendix 1 is referred to in Part A (para 11.5) and not in the definition of BPC as indicated. Please also correct title of appendix.</p> <p>Appendix 3 is also referred to in Part A (para 11.5) and not Part C as indicated. Please clarify. Please also correct title of appendix.</p>		Both of these have been corrected.	A
74	SHETL	Appendix 1	Not sure that this is needed.		This has been removed.	A
75	SGN	Appendix I – Maximum BPC value	It will not be possible for these values to be set in advance as they are a function of the cost of each NIC project cost. These project costs will not be known prior to this licence condition coming into force.		This has been removed.	A

76	NGGD	Appendix 3	Annual Average Forecast Revenue is not defined within the document. This requires explanation.		Please see amended text.	
77	NGET/NGGT	Appendices	Separate appendices for each licensee?		In practice there will be separate licence conditions for each licensee.	

Reference number(s) & Condition name			[ETC 17] Environmental discretionary reward			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SPTL	Page 53, para. 6	This paragraph states: "For regulatory years 1 and 2 (which will begin on 1 April 2013 and 1 April 2014 respectively) EDRt will equal zero." Our current understanding is that there will be a reward available in 2013 requiring a revenue adjustment in 2014.	Consider change to "For the regulatory year commencing 1 April 2013 EDRt will equal zero."	Yes, the policy intent is that there could be a positive adjustment made in 2014 if a reward is awarded in 2013. Will amend text as proposed.	A
2	SPTL	EDR	Page 53. Title "Environmental Discretionary Reward Scheme"	This reward scheme is much broader than a typical Environmental measure and consideration might be given to renaming "Low Carbon Discretionary Reward Scheme" or "Sustainable Energy Discretionary Reward Scheme".	This point was raised in the policy group meeting. Will refer for policy decision to Sustainable Development team who are leading in this policy area.	O
3	NGET	Para 3, pg	It is unclear what the following statement means " the industry to move towards a low carbon energy system"		Have clarified that this will encompass both strategic and operational environmental categories that the Authority considers relevant to the objective of the scheme and that these are set out in detail in the EDR guidance.	A

Reference number(s) & Condition name			[ETC 18] Enhancement to Pre-existing Infrastructure in National Parks and Areas of Outstanding Natural Beauty			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET	Para 7	What process will be used for the licensee to request that the Authority approve additional EPI Outputs?		This process is set out in paragraph 19 in Part D. Potential deletion of paragraphs 18.7 and 18.8 as it duplicates the process set out later in the condition	R
2	NGET	Para 8	How will the Authority specific additional outputs in Table 1? Will it be a licence modification? Alternatively, a deeming provision will be needed.		As above, my view is that paragraphs 17 and 19 of the licence condition set out the process.	R
3	NGET	Para 10	How will the Authority do monitor outputs against licensee's policy and annual reporting? What procedure and criteria it will use?		Have removed this paragraph. It is part of RIIO more generally than just this specific condition.	R
4	NGET	Para 18(iii)	'the remaining allowance available ' needs to be defined /calculated		Still considering how best to include in licence condition.	O
5	NGET	Para 21(d)	How will the determination take effect? Will it be deemed to be inserted in Table 1?		Similar to first two comments. Paragraphs 17 & 18 allow for a process for the Authority to modify the tables. Drafting needs to be tweaked to ensure no duplication and reference to the earlier provisions required.	R
6	NGET	Para 25	In what sense will the Authority check values? What process and criteria will it use?		Have referred to Regulatory Finance to review wording and decide whether more explanation needed.	O
7	NGET	Para 25 (b)	Will the revised value be a deemed amendment to Table 2? Procedure needs to be clarified.		Have referred to Regulatory Finance to review wording and decide whether more explanation needed.	O

8	NGET	Para 28	'Time value of money adjustment' must be defined		Ditto.	O
9	NGET			Various minor draft amendments.		A
10	SHETL	Pg. 122 / para 2	We suspect that this definition may not be applicable in Scotland and have asked our legal team to suggest an equivalent definition.		We look forward to receiving further info on this from SHETL.	O
11	SHETL	Pg. 124 / para 9	Reference to the licence condition that governs the RIGs should also be provided for completeness.		Have added reference to RIGS licence condition.	A
12	SHETL	Pg. 124 / para 11	How will the Authority make this calculation? We suggest that the process that underpins this should be included here.		Propose to remove paragraph in this condition. More general point that applies to other areas eg baseline output funding. If TO does not deliver agreed outputs then Authority would seek to ensure TO is remunerated only for the portion of costs that it had efficiently incurred. Broader question about whether this should be set out in licence specifically given accountability for output deliver is key foundation of RIIO.	O
13	SHETL	Pg. 124 / para 12	The term "policy" is used to refer to the document produced by the licensee, rather than "the policy" so suggest that "the" is deleted.		Have amended as suggested.	A
14	SHETL	Pg. 124 / para 13b	We suggest that this paragraph should refer to "an EIP output", rather than "the EIP output".		Have amended as suggested.	A

15	SHETL	Pg. 124 / para 13c	Amended text for this paragraph suggested as there may be other criteria that are appropriate.	Amended text: <i>"the criteria the licensee will use to evaluate and prioritise EIP Outputs including, but not limited to, value for money, contribution to sustainable development;"</i>	Have amended as suggested.	A
16	SHETL	Pg. 125 / paras 14 & 15	These paragraphs refer to the policy as a "statement". We suggest that this needs to be amended to policy to retain consistency across the condition.		Have amended as suggested.	A

Reference number(s) & Condition name		[GDC 20] Revenue restriction [ETC 20] Revenue restriction [GTC 20] Revenue restriction [GTC7] SO Revenue Restriction [ETC12] SO Revenue Restriction				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SHETL	General	We presume Ofgem will be providing the licensees with a working model for revenue calculations as in previous price controls. Please provide an update on the development of this.		We assume that this is a reference to the revenue reporting pack. Whilst we have performed some initial development, the revenue reporting pack will be developed fully once the licence conditions are finalised. We anticipate providing a draft for comment in January of 2013.	N/A
2	SHETL	Pg. 29 / para 20.1	To minimise any potential confusion with revenue derived from excluded services, we believe that the term 'Allowed Transmission Owner Revenue' should be used in this condition and, as applicable, through the licence as a whole.		Allowed Transmission Owner Revenue is included in this condition. Currently NGET name this Maximum Revenue.	A
3	SHETL	Pgs 29-30 / para 20.4	It is our understanding that the terms DIS_t and TS_t will apply to NGET only but this is unclear from the current drafting which can be read that only the second part of each definition is restricted to NGET. Please clarify.		DIS and TS only apply to NGET. Have made this clearer in latest draft.	A

4	SHETL	Pg. 32 / para 20.7	If the definitions of Retail Price Index and the Retail Prices Index Forecast Growth Rate are to be in the defined terms condition, then this condition needs to be referenced as part of this paragraph.		Agree.	A
5	SHETL	Pg. 32 / para 20.9	What is the process for the Authority to derive Vanilla Weighted Cost of Capital and to discuss this with the licensees? We suggest that the process needs to be set out in the licence condition to enable licensees to progress tariff setting with a reasonable level of certainty.		We recognise the issue and will provide a definition for Vanilla WACC.	O
6	SHETL	Pgs 33-4 / para 20.11	In the definition of each of these terms, reference should be made to performance in t-2. Example for RI_t is shown but the same approach is also required for SSO_t , SFI_t and EDR_t .	Amended text: " <i>means the amount of revenue adjustment made in Relevant Year t reflecting the licensee's performance in Relevant Year t-2 against a transmission network reliability incentive...</i> "	This is covered by each condition where the adjustment for Relevant Year t is calculated. Therefore no additional text in ETC 20 required.	R

7	SHETL	Pg. 34 / para 20.13	NIC - we are unclear as to why this needs to go solely into NGET's licence and would appreciate clarity on the thinking that underpins this decision.		In March 2012 we made the decision, following suggestions from SP and SHETL, that the simplest way to implement this would be for NGET to collect the NIC on behalf of all licensees. In addition to SHETL and SP, Offshore Transmission Owners are also included in NIC. Therefore this is the simplest mechanism to raise and transfer funds amongst all eligible licensees. We described this proposed mechanism at the 28 June LWG where no objections were raised. We have also consulted the NGET charging team on the proposed mechanism.	N/A
8	SHETL	Pg. 35 / para 20.14	If the definition of Average Specified Rate is to be in the defined terms condition, then this needs to be referenced as part of this paragraph.		Agreed.	A
9	SHETL	Pg. 35 / Part G-I	Unable to comment due to incomplete drafting. We are assuming that this relates to the Charging Volatility Consultation but would appreciate clarity and the outcome of Ofgem's work on this.		Applicable to all licence: As stated in the draft licence condition issued with Initial Proposals, this section is dependent on charging volatility work. We have now included text in this section following our decision on mitigating charging volatility.	A

10	SPTL	General	Some terms within the overall formula in ETC20 do not appear to have appropriate indexation applied (i.e. application of RPIFt to values in 2009/10 prices). In particular, the NIA _t term (ETC 11), SFIt term (ETC25), SSO _t (ETC24), and (possibly) EDR _t term (ETC17) are relevant here.		The NIA, SSO and EDR terms do not need an inflation adjustment as they are in nominal prices. ETC25 has been amended to clarify price base and relevant inflation adjustment. The SFIt term created by the application of ETC25 will be in nominal prices.	R A
11	SPTL	Page 29, para 20.2	Requirement to use best endeavours to ensure that revenue does not exceed TOT potentially conflicts with outcome of network Page 31, para 20.6 charging volatility consultation	Review 20.2 following decision on network charging volatility.	Best endeavours should still be used when setting charges. We have reviewed as part of a work on charging volatility and consider this to still be required.	R
12	SPTL	Page 30, Para 20.4	Under definition of DIS, part (a) should specify [NGET only]		DIS and TS only apply to NGET. Have made this clearer in latest draft.	A
13	SPTL	Page 31, para 20.6	RPIFt is a factor and cannot take a negative value, otherwise BRt would become negative	Delete ", whether of a positive or negative value,"	Applicable to all licences: Text amended	A
14	SPTL	Page 31, para 20.7	RPIFt is defined "for the purposes of paragraph 20.6 of this condition" but RPIFt is also used in other conditions eg ETC21	Delete "For the purposes of paragraph 20.6 of this condition,"	Applicable to all licences: Text amended.	A
15	SPTL	Page 31, para 20.7-20.9	Please review drafting for TRUt in relation to year 2014/15 as some components are not defined for year 2012/13 (i.e. t-2). In particular, there is no "BR" value for year 2012/13.		This is still being considered.	O

16	SPTL	Page 32, following para 20.7	It is not clear that the RPI forecasts growth rates should be those in the table of Medium Term Forecasts.	Add "in the table of medium term forecasts for CPI and RPI inflation" after "New forecasts (marked *)"	The medium term forecast will be used as the short term forecast does not cover all years required. We want to avoid naming tables in case these names are changes in future publications. Therefore we consider current drafting is adequate.	R
17	SPTL	Page 32, para.20.9	'Vanilla Weighted Average Cost of Capital' appears to be undefined. Appropriate references to handbook and final proposals should apply.		See response 5 above.	A
18	SPTL	Page 34, Part E	As NICFt is indicated to be for NGET only, the term IIt becomes equal to NIAAt for SPTL and this part is not necessary	Incorporate term NIAAt directly into the Principal Formula and mark part E as "not used" for SPTL	Applicable to all licences: II term removed and NICF and NIA term moved to the principle formula.	A
19	NGET/NGGT	20.1	Strange to refer to "Transportation Activity Charges" when the activity in question is transmission.	Suggest words not needed: could alternatively use "Transmission Network Revenue" as in present conditions	Reference changed to Transmission Network <u>Charges</u> . The reference is intended to be to charges not to revenue. This term will be defined.	R
20	NGET/NGGT	General		Number of marked up changes made to text, eg "as calculated using" changed to "and derived in accordance with"	Consistency points already raised. We consider the terminology used to be appropriate.	R
21	NGET/NGGT	20.7	Definition of RPI	Why not simply refer back to the defined term in Condition A1	We will discuss with the working groups the positioning of definitions within the licence conditions over the coming weeks.	O
22	NGET/NGGT	20.9	Vanilla Weighted Average Cost of Capital: How will this be derived?		See response 5 above	O

23	NGET/ NGGT	General	We believe that there should be other terms which will need to be trued up.		All licensees: Items in the true-up reflect all terms in Initial Proposals that will require true-up, including changes made as a result of our decision in relation to charging volatility. If further changes are made for Final Proposals this may need to be updated.	O
24	NGET/ NGGT	20.4	Actual revenue terms in 20.4 will need to be reviewed depending other drafting. 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.		Drafting updated to reflect NGGT's latest view on terms. We are still considering whether this information is required in the licence and whether this condition is the appropriate place for it to sit. We welcome further views. To consider TORCOM point further.	O
25	NGGT	20.5	We note that the terms "TOPT", "TOOIR" and "TOBR" do not match to the terms used in GTC21 and GTC24.		We have removed the "TO" from these terms. Terms common to SO and TO will be differentiated by the inclusion of "SO" in the abbreviation of the SO terms.	A

26	NGGT	20.9	<p>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.</p> <p>As to the definition of "Retail Prices Index Forecast Growth Rate", after "determine to be appropriate" in the 7th and 9th lines insert "in the circumstances".</p>		We will discuss with the working groups the positioning of definitions within the licence conditions over the coming weeks.	O
27	NGGT	20.11	<p>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?"</p> <p>Definition needed for "Vanilla Weighted Average Cost of Capital" within para 20.11.</p>		See response 5 comment	A
28	NGGT	20.14	We note that the IRMt 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)?		IRM has been removed from ETC/GTC/GDC20 because it will impact revenue through the MOD term. See condition GTC9 for details.	R
29	NGGT	20.4	Need top link to definition of NTS Transportation Owner Activity, in reference to "NTS TO" in definition of TOREVBEC		"NTS TO Revenue" will be a defined term in the licence. As will "NTS SO Revenue"	A
30	NGGT	20.6	Base NTS Transportation Owner needs definition		To be included in definitions condition. It will reference back to this condition where is calculated.	O

31	WWU	20.2	It is noted that the provisions relating to what happens if the licensee over recovers by more than 4% etc in any year have been removed. Is this deliberate and is it the intention to rely more heavily on the general condition 20.2 to force licensees not to over-recover?		This is now dealt with in Part D to G of this condition. It reflects our decision in relation to charging volatility.	A
32	WWU	20.7	The definition should be definition of RPI rather than RPI otherwise a separate definition is needed for RPI 2009/10.		Applicable to all licences: Inserted a definition for RPI _{2009/10}	A
33	NGGD	20.1	We suggest that these definitions are set out in GDC19.		Definitions will be included as part of this condition	A
34	NGGD	20.2	Delete "Activity Revenue" on the third line and replace with "Charges" to be consistent with the definition in para 20.1		Current terminology is correct	R
35	NGGD	20.3	Insert quotation marks around "Principal Formula".		Agreed	A

36	NGGD	20.4	<p>Please punctuate the definitions as a list.</p> <p>As to BR: - as "base Distribution Network Transportation Activity Revenue" is used throughout these price control conditions, we suggest that a definition be provided in GDC19 that "Base Distribution Network Transportation Activity Revenue is the amount calculated in accordance with paragraph 20.5 of GDC20 (Special Condition [x] Restriction of revenue in respect of the Distribution Network Transportation Activity)". Therefore "base" would be capitalised in this condition and where referred to later in the price control conditions; and - before "derived" insert "and is";</p> <p>As to PT: - delete "as" and replace with "and is"; - as to the reference to "Allowed Pass-through items" on line 2, suggest this is consistent with GDC21 and thus reads "Distribution Network allowed pass-through items"; - this should refer to "Part A" of GDC21; - also set out that GDC21 is a special condition in accordance with usual custom.</p> <p>As to EX: - delete "as" and replace with "and is"; - also set out that GDC8 is a special condition in accordance with usual custom. - suggest refer to "Part B" of GDC8.</p> <p>As to BM: - delete "as" and replace with "and is"; - suggest refer to "Part B" of GDC24; - also set out that GDC24 is a special condition in accordance with usual custom; - on the fourth line please capitalise "broad measure of customer satisfaction".</p> <p>As to SHR: - delete "as" and replace with "and is"; - also set out that GDC25 is a special condition in accordance with usual custom; - as to the reference to "Shrinkage Incentive", suggest this should be "maximum Distribution Network Shrinkage Allowance", in order to be consistent with GDC25.3.</p> <p>As to EEI: - delete "as" and replace with "and is"; - also set out that GDC25 is a special condition in accordance with usual custom.</p> <p>As to DRS: - delete "as" and replace with "and is"; - also set out that GDC48 is a special condition in accordance with usual custom.</p> <p>As to NIA: - delete "as" and replace with "and is"; - suggest refer to Part A of GDC11; - also set out that GDC11 is a special condition in accordance with usual custom.</p> <p>As to K, insert "and is" before derived.</p>		<p>To be included in definitions condition. It will reference back to this condition where it is calculated.</p> <p>Approach to lists being considered internally.</p> <p>Reference to Allowed Pass-through Items amended. References to provisions in GDC21 amended</p> <p>References to provisions in GDC8 amended.</p> <p>References to provisions in GDC24 amended Term capitalised as per comment.</p>	<p>O</p> <p>A</p> <p>A</p> <p>A</p>
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37	NGGD	20.5	As to the title, in accordance with the comment under para 20.4, the title should read "Base Distribution Network Transportation Activity Revenue".		Text amended.	A
38	NGGD	20.6	<p>As to "PU":</p> <ul style="list-style-type: none"> - delete the comma after "Appendix 1"; - insert a semi-colon after definition; and - "distribution of gas to premises" is not appropriate language as in gas, there is not licensable activity of "distribution". Suggest "conveyance" as this tracks the Gas Act. <p>As to the definition of "MOD":</p> <ul style="list-style-type: none"> - delete the comma after "2013-14 and insert a semi-colon at the end of the definition; - insert commas after "and" on the first line and "Formula Year" on the second line; - after "[GDC26]" insert "Special Condition". <p>As to the definition of "RPIF", insert "; and" after the definition.</p> <p>As to the definition of "TRU":</p> <ul style="list-style-type: none"> - delete the comma after 2013-14; - insert commas after "and" on the first line and "Formula Year" on the second line. 		<p>Approach to lists being considered internally.</p> <p>Accept, "distribution replaced with "conveyance".</p> <p>Cross references amended as per comments.</p> <p>Punctuation amended as per comment.</p>	<p>O</p> <p>A</p> <p>A</p> <p>A</p>

40	NGGD	20.9	<p>As to the definition of "PVF":</p> <ul style="list-style-type: none"> - how will the Authority "derive" this amount? Should the word be "determined" if the "Authority effectively imposes a number? - "Vanilla Weighted Average Cost of Capital" is defined in the Handbook; - delete the comma after "Formula Year t" on the first line and insert a semi colon at the end of this definition. <p>As to the definition of "REV":</p> <ul style="list-style-type: none"> - suggest that rather than using "Special Condition", that "Price Control Condition" be used and that a definition of this term be provided in GDC19; and - delete the comma after "Index" on the third line. <p>As to the definition of "BR":</p> <ul style="list-style-type: none"> - insert "and is" after "t-2" for consistency of language; - "base Distribution Network Transportation Activity Revenue" should be "Base Distribution Network Transportation Activity Revenue" as commented on under para 20.5. - insert a semi-colon at end of definition. <p>As to the definition of "EEI":</p> <ul style="list-style-type: none"> - delete "as" and replace with "and is"; - also insert the title of GDC25; - insert a semi-colon at end of definition. <p>As to the definition of "RBE":</p> <ul style="list-style-type: none"> - insert the title of GDC21; - suggest refer to Part B of GDC21; - insert a semi-colon at the end of the definition. <p>As to the definition of "LFE":</p> <ul style="list-style-type: none"> - insert the title of GDC21; - suggest refer to Part C of GDC21; - insert "; and" at the end of the definition. <p>As to the definition of "PDE":</p> <ul style="list-style-type: none"> - insert the title of GDC21; - suggest refer to Part D of GDC21. 		<p>See response 5 comment</p> <p>Special Condition is used in the licence not Price Control Condition, therefore current wording remains.</p> <p>Approach to lists being considered internally.</p> <p>Cross references amended.</p>	<p>R</p> <p>O</p>
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41	NGGD	20.10	<p>As to the definition of "R":</p> <ul style="list-style-type: none"> - as to the reference on the first and fourth lines to "Distribution Network Transportation Activity Revenue", having regard to the definition provided in para 20.1 (Distribution Network Transportation Charges), we think this should be a reference to "Distribution Network Transportation Charges"; - insert the correct title of GDC19; - after "exception" insert "to this"; - after "is" on the third line insert "for"; - delete "as" on the sixth line and replace with "that was"; - as to "special condition E1, capitalise "special condition" and insert the title of this condition; - "delete "force" and replace with "this licence as"; and - delete the full stop and replace with a semi colon. <p>As to the definition of "AR":</p> <ul style="list-style-type: none"> - after "exception" insert "to this"; - after "is" on the third line insert "for"; - delete "as" on the sixth line and replace with "that was"; - as to the reference to "special condition E2", capitalise "special condition" and insert the title of this condition; - delete the full stop and replace with a semi colon. <p>As to the definition of "I":</p> <ul style="list-style-type: none"> - "Average Specified Rates" needs to be defined in GDC19; and - delete the full stop and insert "; and"; <p>As to the definition of "PR", delete "as" and replace with "and is" for consistency of language.</p>		<p>Reference should continue to be revenue not charges. "R" is the revenue that is collected not the charges themselves.</p> <p>Approach to lists being considered internally.</p> <p>Cross references amended.</p>	<p>R</p> <p>O</p>
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Reference number(s) & Condition name			[GTC 21] Pass through [ETC 21] Pass through [GDC 21] Pass through			
No.	Comment from	Page/Pa ra. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SHETL	General	We retain our view that the IAET term for changes to the STC and other changes as determined by the Authority with a material greater than £1 million should be retained.		This is a policy decision which has already been made. Please see Final Proposals	R
2	SHETL	General	As discussed with Adam Cooper, appropriate drafting needs to be included in this condition for SHETL's ENS Compensation Mechanism. We will consider this as part of our next steps on ENS and suggest drafting for Ofgem's consideration.		The ENS compensation mechanism adjustment is calculated in ETC2. This adjustment is then included in ETC20 and therefore does not need to be in ETC21 as well.	R
3	NGET	21.6	"non-domestic rates": define in ETC19?		Propose to include a definition as per current licence. Term is now capitalised in the condition to clarify this.	A
4	NGET	21.11	How will these costs be calculated?		Formula inserted to show what will be applied to ensure financing costs are included.	A
5	NGET	21.15	ITC regulation: The regulation is defined in Condition A1.		Text amended.	A
6	NGGT	General	The "IS" term is still in here, but needs to reflect the debate regarding SIUs and funding GT-GT		Agree, this term may be removed.	O

7	NGGT	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?		There was an error in the formula. DNPDC was supposed to appear in there as well. (inclusion of these terms dependent on resolution of GT-GT funding issue)	O
8	SGN	21.13	We are not clear why only 95% of Third Party Damage and Water ingress costs are allowed as pass through costs, although this is in the current condition.		To provide an incentive to limit costs in this area.	NA
9	NGGD	General	After each condition reference e.g. "GDC20" in para 21.3, insert the title of the relevant condition i.e. "Restriction of revenue in respect of the Distribution Network Transportation Activity". Also need to ensure that note the relevant condition is e.g. a Special Condition, as this is not provided in places i.e. para 21.1.		Disagree. This is only needed for the first such reference in any condition – otherwise the condition becomes very difficult to read.	R
10	NGGD	21.1	Suggest also refer to Part B of GDC20. Delete "that applies in" and replace with "for the purposes of".		All licenses: text amended.	A
11	NGGD	21.2	Suggest also refer to Part B of GDC20. Delete "as" before "calculated".		All licenses: text amended. Agreed	A A

12	NGGD	21.3	<p>Delete “which establishes the calculation of Maximum Distribution Network Transportation Activity Revenue” as these words are unnecessary.</p> <p>Please insert quotation marks around “Principal Formula”.</p>		<p>All licenses: text amended.</p> <p>Agreed</p>	<p>A</p> <p>A</p>
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13	NGGD	21.4	<p>As to the definition of "RB":</p> <ul style="list-style-type: none"> - delete the comma after "Formula Year t and insert "and is" for consistency purposes; - delete the full stop and insert a semi-colon at the end of this definition. <p>As to the definition of "LF":</p> <ul style="list-style-type: none"> - delete the comma after "Formula Year t and insert "and is" for consistency purposes; - delete the full stop and insert a semi-colon at the end of this definition. <p>As to the definition of "PD":</p> <ul style="list-style-type: none"> - delete the commas on the first line and insert "and is"; - rather than "NTS" this should be "Distribution Network"; - delete the full stop and insert a semi-colon at the end of this definition. <p>As to the definition of "TG", delete the full stop and insert a semi-colon at the end of this definition.</p> <p>As to the definition of "TPWI", delete the full stop and insert "; and".</p>		<p>Approach to lists being considered internally.</p> <p>Disagree with need to add words "and is"</p> <p>Reference to NTS deleted.</p>	<p>O</p> <p>R</p> <p>A</p>
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14	NGGD	21.6	<p>As to the definition of "RBA", insert a semi colon at the end of the definition.</p> <p>As to the definition of "RBE", insert ";" and" at the end of the definition.</p> <p>As to "RPIF", insert the title of GDC20 and refer to Part C of GDC20.</p>		<p>Approach to lists being considered internally.</p> <p>See comment 9 above</p>	<p>O</p> <p>R</p>
15	NGGD	21.7	<p>Delete the comma after revaluation.</p> <p>Insert brackets around "England and Wales". Also insert a comma after "England and Wales".</p> <p>Insert brackets around "Scotland".</p>		<p>All licences: text amended</p> <p>Disagree. No "" required.</p>	<p>A</p> <p>R</p>
16	NGGD	21.10	<p>As to the definition of "LFA", delete the full stop and replace with semi colon.</p> <p>As to the definition of "LFE", delete the full stop and replace with ";" and".</p> <p>As to "RPIF", insert the title of GDC20.</p>		<p>Approach to lists being considered internally.</p> <p>See comment 9 above</p>	<p>O</p> <p>R</p>
17	NGGD	21.11	<p>As to the title, this should read "Calculation of the Distribution Network Pensions Deficit Charge term (PD)".</p>		<p>Changed to "Calculation of the pension deficit charge adjustment term" which is consistent with naming in Part B</p> <p>PDA is the actual charge amount. The adjustment represents the difference between the actual charge and the allowance given.</p>	<p>R</p>

18	NGGD	21.12	<p>As to "PDA":</p> <ul style="list-style-type: none"> - "Distribution Network Pensions Deficit Charge" should have the meaning as currently set out in Special Condition E1, which should be set out in GDC19; - "NTS Operator" has the meaning provided in Standard Special Condition A3; - insert "Transportation" before "Activity" on line four; - delete the full stop and replace with a semi colon. <p>As to "PDE", delete the full stop and replace with "; and".</p> <p>As to "RPIF", insert the title of GDC20.</p>		<p>Definitions will be transposed into this licence from current licence.</p> <p>Activity removed so that it reads "Distribution Network"</p> <p>Approach to lists being considered internally.</p> <p>See comment 9 above</p>	<p>A</p> <p>R</p> <p>O</p> <p>R</p>
19	NGGD	21.13	<p>TPWIt relates to costs incurred both two years earlier and in the price base of two years earlier. The TPWIt revenue term thus needs to adjust for both issues. We consider that the revenues should be adjusted in a consistent manner to the true-up mechanism in GDC 20 i.e. use RPIFt/RPIAt-2 to adjust for inflation and a real WACC adjustment ($*PVFt-1 * PVFt-2$) to adjustment for timing of revenue adjustment, rather than interest rates. If forecast inflation is used here then TPWI may need to be included within the true-up mechanism in GDC 20.</p>		<p>Agree. Formula updated</p>	<p>A</p>

20	NGGD	21.14	<p>As to "TPWR", delete the full stop and with replace a semi colon.</p> <p>As to "TPWU", delete the full stop and with replace a semi colon.</p> <p>As to "PU":</p> <ul style="list-style-type: none"> - this should refer to para 20.6 of GDC20; - insert the title of GDC20; - delete the full stop and replace with a semi colon. <p>As to "RPIA":</p> <ul style="list-style-type: none"> - insert the title of GDC20; -delete the full stop and insert "; and". <p>As to "I", we have suggested that the definition of "Average Specified Rate" be set out in GDC19.</p>		<p>Approach to lists being considered internally.</p> <p>Reference is made to Appendix 1 in GDC20 as that is where the value for PU is set out.</p> <p>See comment 9 above</p> <p>As stated in GDC20 this term will be defined.</p>	<p>O</p> <p>R</p> <p>R</p> <p>A</p>
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21	NGGD	21.15	<p>This states that TPWIt is zero for 13/14. This should relate to 2011/12 costs in the normal manner, unless these carryovers from the current price control period are being dealt with through legacy terms in the Financial Model, which does not appear to be the case for these costs. The treatment of TPWIt for 14/15, which should relate to costs in 2012/13, should similarly be set out specifically.</p>		<p>2011/12 will have been recovered in 2012/13 as the adjustment in the current licence only operates with one years lag. Therefore the adjustment is zero in 2013/14 in order to not double count the adjustment.</p>	R
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Reference number(s) & Condition name		[GDC 22] Mains and service replacement				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGD		Principle point that the policy regarding the treatment of Tier 2 Mains and Services Replacement Expenditure is yet to be decided and this may impact the Condition as drafted.		Agree. Two outstanding issues as set out in IP: (i) whether to apply the revenue driver to all tier 2 above risk mains, or only those not identified at review; and (ii) whether to include services within revenue driver (or consolidate services within unit cost allowances for mains). We will determine issues for FP.	O
2	NGGD	1	As to sub-paragraph (b), insert a comma before "and" on the second line and after "relate" on the third line.		Alternative drafting provided which clarifies.	NA
3	NGGD	2	Suggest move definitions to GDC19. As to "Formula Year": - this should refer to Part C of GDC20. - delete the full stop and replace with "; and".		Location of definitions to be considered in final draft. No need for reference to Part C Approach to lists being considered internally.	O R O
4	NGGD	3	"price control period" should be capitalised.		Disagree.	R

5	NGGD	4	As to sub-para (b): - insert commas after "MOD" and "Formula Year t" on the third line; - "delete "Price Control Condition" on the third and fourth line and replace with "Special Condition"; - insert reference to GDC20 and put in the correct title as the title provided is not correct.		Amended	A
6	NGGD	5	Delete "set out" and replace with "given".		Changed to reflect comment	A
7	NGGD	7	Punctuate the definitions as a list. As to the definitions, "Above Risk Threshold Tier" is not a defined term and therefore this is reflected in our comments below. As to "SR" and "USR", "Above Risk Threshold Tier 2 Domestic Services Replaced" needs to be defined. As to "ST", "Above Risk Threshold Tier 2 Domestic Services Transferred" needs to be defined. As to "UST", "Above Risk Threshold Tier 2 Domestic Services Transferred" needs to be defined. As to "SN" and "USN", "Above Risk Threshold Tier 2 Non-Domestic Services Replace" needs to be defined.		We have inserted "Services comprising " in each of the definitions. Eg: "Above Risk Threshold Services comprising Domestic Services Replaced" " Above Risk Threshold Services" is defined as "service pipes connecting to Above Risk Threshold Tier 2 Mains"	A
8	NGGD	8	Insert a comma after "t-1" on the firth line and delete the comma after "direction" on the second line.		Changed to reflect comment.	A

9	NGGD	9	<p>As to sub-para (a):</p> <ul style="list-style-type: none"> - under what condition will this review take place? What are the parameters? - on what basis will errors be corrected? <p>Is there a condition this is linked to which sets out the parameters?</p> <p>As to sub-para (b), "earlier" on the second line should be capitalised.</p>		The review is principally to allow for corrections to any corrections companies make in terms of reported tier 2 mains and services volumes.	R.
10	NGGD	10	Insert a comma after "condition" on line 2.		Changed to reflect comment.	A
11	NGGD	12	Rather than 14 days, we are suggesting 28 days throughout the price control conditions.		Policy issue that impacts a number of conditions. We are considering.	O
12	NGGD	15	<p>Please correct the typo on line 3.</p> <p>What is meant by "take full account of the position"? What will be the process to achieve this?</p>		Corrected.	A

13	NGGD	16	<p>Please punctuate the definitions as a list.</p> <p>As to "Decommissioning":</p> <ul style="list-style-type: none"> - the reference should be to "Pipelines Safety Regulations 1996" - HSE should be defined as the Health and Safety Executive. <p>As to "Domestic Services Replaced":</p> <ul style="list-style-type: none"> - the reference should be to "Pipelines Safety Regulations 1996"; - HSE should be defined as the Health and Safety Executive. <p>As to "Non-Domestic Services Replaced":</p> <ul style="list-style-type: none"> - as to sub-para (c), the reference should be to "Pipelines Safety Regulations 1996"; - <i>as to sub-para (d, delete "safe" and</i> HSE should be defined as the Health and Safety Executive. <p>As to "Risk Score", "Mains Prioritisation Risk Score" needs to be defined.</p> <p>As to "Threshold Risk Score":</p> <ul style="list-style-type: none"> - "Threshold Risk Score" in the definition itself should not be defined as it makes the definition circular; - HSE should be defined as the Health and Safety Executive; - this should refer to Regulation 13A of the Pipelines Safety Regulations 1996. 		<p>Approach to lists being considered internally.</p> <p>We have changed legal reference to "Pipelines Safety Regulations 1996"</p> <p>We have deleted "Threshold" from definition of "Threshold Risk Score"</p> <p>We have added a holding position for "Mains Prioritisation Risk Score", and a definition for "HSE"</p>	<p>O</p> <p>A</p> <p>A</p> <p>A</p>
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14	NGGD	Appendix 2	Suggest the title is amended as follows, "Appendix 2: Distribution Network unit costs for Above Risk Threshold Tier 2 Domestic Services Replaced (USR), Above Risk Threshold Tier 2 Domestic Services Transferred (UST), and Above Risk Threshold Tier 2 Non-Domestic Services Replaced (USN)".		We have amended to: "Appendix 2: Distribution Network unit costs for Above Risk Threshold Tier 2 Services comprising Domestic Services Replaced (USR), Domestic Services Transferred (UST), Non-Domestic Services Replaced (USN)".	A
15	NGGD	Part B 7	This adjusts repex allowance for risk threshold, what about changes in the volume of work qualifying under CBA? Is this a fixed ex-ante allowance?		Below risk-threshold is based on fixed ex ante allowance.	R
16	NGGD	Part B 15	Ofgem have the ability not to adjust allowances and then the adjustment falls into the next iteration, this may cause financeability issues in GDC28			R
17	NGGD	101 Para 15	Suggest this paragraph should be replaced with Licensee's right to make the relevant adjustment as detailed in GDC28 Part F para 28.22. As this is a revenue driver RE values should amend driven by the works undertaken unless the Authority wishes to challenge the licence's proposals.	If the Authority has not determined a relevant adjustment proposed in a Notice given to the Authority by a licensee under Part A within four months of the close of the appropriate application window, and that Notice has not been withdrawn, the licensee may give Notice to the Authority that the relevant adjustment proposed in its notice shall take effect from the adjustment date for all relevant purposes under the Price Control Conditions.	Noted and being considered.	O
18	SGN	General	Paragraphs should be named 22.1, 22.2 etc.		We will address formatting issues.	O

19	SGN	General	Terms should be consistent with those used by the HSE. We understand that the definitions have been widened to try to ensure that the same aspects are covered, however it would be simpler and more logical to use the same terms and definitions. Examples of this are given in our comments on the definitions below.		See responses below	NA
20	SGN	2.	We suggest that the definitions of Formula Year t and PCFM Variable Value be removed from this condition and listed in the general list of definitions.		Noted. To be dealt with where appropriate in main definitions section rather than individual condition.	O
21	SGN	7.	Diameter band table. >12-18 is a very wide range of diameter and costs are likely to vary significantly between the lower and upper limits. We suggest that this should be split into two bands.		We will address diameter band as part of FP. However, proposed banding aligns with current revenue driver, and reflects basis on which we hold unit cost information, and companies' report costs.	O
22	SGN	9.	We do not consider it appropriate that the Authority are able to further revise the RE value at some future point and we are not clear why Ofgem consider the need to have an option to do so.		The policy intent is to allow us to revise RE in the event of reporting errors by companies.	R
23	SGN	16.	Definition of Above Risk Threshold Tier Two Mains: In line with our explanation above, we suggest that 'Threshold Risk Score' should be changed to 'Risk-Action Threshold' to ensure consistency with the HSE Enforcement Policy 2013-21.		To consider	O
24	SGN	16.	Definition of decommissioning (b): Suggest that 'service' is replaced with 'pipe'.		To consider	O

25	SGN	16.	Definition of Decommissioning (c) and (d): As explained above, these definitions are not consistent with those used by the HSE. We suggest that the definition is updated accordingly.		We understood the definitions were consistent with HSE definitions. We will reconsider.	O
26	SGN	16	Definition of Replaced: The entire definition should refer to mains as well as services.		We do not define replaced. The definition relates to "Domestic Services Replaced"	R
27	SGN	16.	Definition of Replaced (c) and (d) : Suggest that these categories are not replacement but rather means of managing risk, i.e. OFF RISK.		We will consider rephrasing. However, we note the definition of "Replaced" incorporates making safe.	O
28	SGN	16.	Definition of Included Mains: Suggest that 'Decommissioning' be changed to 'risk management' and that 'all decommissioned' be changed to 'all risk managed'.		We will consider rephrasing. However, we note the definition of "Decommissioning" incorporates "any other means of rendering existing non PE service as safe".	O
29	SGN	16.	Definition of Non-Domestic Services Replaced: See comments for definition of Replaced.		We will consider rephrasing. However, we note that the definition includes "the making safe by any other means [...], as agreed with the HSE"	O
30	SGN	16.	Definition of Threshold Risk Score: As explained above, suggest that this be changed to Risk-Action Threshold to ensure consistency with the HSE Enforcement Policy.		To consider	O
31	SGN	16.	Definition of Threshold Risk Score : Regulation 13 should be changed to Regulation 13A.		To consider	O

32	WWU	Page 97 para 2	In para 2, there is a definition of Formula Year. Is this necessary? This comment appears in a number of the Special Conditions. Unless a particular use is being made of the phrase, then it ought to appear in the definitions at the start of the Special Conditions.		Noted. To be dealt with where appropriate in main definitions section rather than individual condition.	O
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Reference number(s) & Condition name		[GDC24] Incentive adjustment in respect of the Broad Measure of Customer Satisfaction				
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SGN	Part F	Not clear how this will link with the Data Assurance licence condition.		<p>The Data Assurance condition does not duplicate or supersede the definition of accuracy contained in this condition or any other condition. "Accuracy" is not defined in the Data Assurance condition; rather it is determined by this condition. Accuracy under the Data Assurance condition must be read in light of the requirements of this condition. The Data Assurance Condition states:</p> <p>"Data provided to the level of accuracy and completeness required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition."</p>	A
2	Several GDNs	Part B.	Should have a different definition of customer that takes into account all stakeholders captured by the Broad Measure.		Removed definition of customer from this section. Where relevant, the scope of the Broad Measure is defined in the RIGs.	A

3	SGN	Part E	'Exceptionally positive outcomes' is too vague a term and is open to interpretation. We note that criteria are set out in (a)-(c) of paragraph 17. We therefore suggest that the wording is changed to 'meets the required criteria as set out in paragraph 17'.		Remove "exceptionally positive outcome" refer to criteria outlined in stakeholder engagement guidance document.	A
4	SGN	Part E para 32	Some more detail on the criteria that the Authority will assess against needs to be given. This could be in the Guidance Document but if so then the licence condition needs to state this.		Add reference to stakeholder engagement guidance document.	A
5	SGN	Part E para 26	We do not understand the reference to GDC 20 in terms of calculating the maximum value of SEt, we had understood that this would be set by the Authority, as per Section E.		Change wording, to explain that the SE term is calculated within the provisions set out in Part B.	A
6	SGN	Part C para 14 and 15	The definition of CSCt and CSCDt should refer to "connections" rather than "planned supply interruptions".		Agreed	A
7	SGN	Part D, para 20	ARCMt should be defined before MLCMt.		Agreed	A
8	SGN	Part E 29 (a)	Suggest that for consistency "modified manual is replaced with "modified Stakeholder Engagement Reward Guidance".		Agreed	A

9	SGN	Part G	Suggest that paragraphs 20 and 21 are moved to Section 2. It is more logical for the details on the processes for modification to be grouped together in one section.		Paragraphs deleted.	R
10	WWU	Part D	Defining terms (eg "complaint", "repeat complaint") should be in the licence, not the RIGs.		We will add the high-level definitions of key words. The RIGs will provide detailed definitions.	A
11	NGGD	General	The structure of this condition is not consistent with the other price control conditions and therefore should be amended. We have commented on this throughout this condition. Other conditions are divided into "Parts" rather than Sections and formulae within them individually introduced. Where formula use terms defined in relation to other formulae, these need to be clear to refer to the formula in which the term in question is first defined.		Agree to make changes to the document.	A

12	NGGD	General Comment on document entitled: RIIO-T1 & GD1: Draft licence conditions – 1st informal licence drafting consultation	Note the name of this Condition is incorrect (this is what it is for Tx) in this document but right in Doc 3. The name of this proposed special condition – Incentive adjustments relating to the licensee’s Stakeholder Satisfaction Output – is this right?	Should be “Incentive adjustments in respect of the Broad Measure of Customer Satisfaction	GDC24 already called “Incentive adjustment in respect of the Broad Measure of Customer Satisfaction”	A
13	NGGD	General	Constant references to licensee – can Ofgem please clarify whether this means licensee or by Network – Customer Measure is by network		Currently drafted as a generic GD licence. Some changes will be required for NGGDs licence to correctly refer to its four GDNs, eg adding in “in respect of the relevant Distribution Network”	A
14	NGGD	Part B para 4	There is no definition of what the factor ‘I’ is within the formula for the overall Broad Measure of Customer Satisfaction, so it is difficult to interpret the formula		Added definition of I to the formula	A
15	NGGD	Part B para 4	CS and CM definition – the wording mentions targets “in that year”, but the UQ target in both of these areas has been set for the life of RIIO-GD1.		Removed reference to “in that year”	A

16	NGGD	General	The numbering system used is not consistent with the numbering system used in other price control conditions. Please also punctuate the sub-paragraphs as a list rather than with full stops.		Approach to lists being considered internally.	O
17	NGGD	Part D para 18	Paragraph redrafted as follows, "The complaints metric score (CMT) is derived in accordance with the following formula".		Redrafted paragraph to make it more consistent with definition in Part B.	A
18	Several GDNs	General	Document refers to Appendices 1-4 that are not included, which we will comment on when published.		Agree to add appendix structure.	A
19	NGGD	Part E Paragraph 28 (a) and (b)	What has been agreed with Ofgem is that the Panel will award points using a balanced scorecard approach – so as to decouple financial reward with initiatives, The Panel will not be awarding financial reward - the Authority will award financial reward based on points scored by the Panel (this is really important given the history with DRS).	(a) the Appointment of the Authority, of persons who will assess the stakeholder engagement submissions	Changed wording to reflect assessment process	A
20	NGGD	Part E Paragraph 30	Also insert at the end of this paragraph, "and the Authority will give reasons for its decision".		Added suggested words	A

21	NGGD	Part E	Definition of "exceptionally positive outcomes" – (b) as this is stakeholder driven not everything you do for stakeholders will result in best practice. Probably the important thing is to share among the industry	(b) Suggest "by developing and implementing best practice" changed to "by developing initiatives and sharing among the industry".	Redrafted to clarify intent and deleted paragraphs	A
22	NGGD	Part F para 36	Rather than 14 days, we suggest 28 days.		Policy issue that impacts a number of conditions. We are considering.	O
23	NGGD	Part F para 35	The meaning of distortion need to be clarified		Added additional wording to clarify what is being distorted.	A
24	NGGD	Part G	This paragraph should be set out in the RIGS not this condition. All the rules relating to the RIGS should be in GDC 74.		Agree to delete paragraph.	A
25	NGGD	Part G	As to sub-para (a), we suggest that these definitions are set out in GDC19. As to sub-para (b), will Standard Special Condition D9 survive this process? As to sub-para (c), we do not think appropriate, prefer definitions in the licence.		Agree to delete paragraphs	A

Reference number(s) & Condition name		[GTC 24] Incentive adjustments relating to the licensee's Stakeholder Satisfaction Output [ETC 24] Incentive adjustments relating to the licensee's Stakeholder Satisfaction Output				
No.	Comment from	Page/P ara. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SPTL	General	Some terms within the overall formula in ETC20 do not appear to have appropriate indexation applied (ie application of RPIft to values in 2009/10 prices). In particular, the NIAt term (ETC 11), SFIt term (ETC25), SSOt (ETC24), and (possibly) EDRT term (ETC17) are relevant here.	NA	Will check consistency with other licence conditions.	O
2	SPTL	para 24.5	SERtmax is defined as half of revenue	Replace 0.5 with 0.005	Have amended as suggested.	A
3	SPTL	Page 47, para. 24.13	There is no reference to the coverage or structure of the SSSt term previously put forward to Ofgem by the working group. We assume that the working group proposals will be included in time for the October consultation.	NA	Draft of SSS term has been added to latest draft.	A
4		Page 48, para. 24.14	Definition of "stakeholder" – please review the reference to "customers" in relation to the role of Transmission Owners. There may need to be a difference in definition as between TOs and NGET to recognize this point.		Agree that a definition should be developed. We have now included a definition for customer based on discussions with NGET who propose a separate customer and stakeholder survey	A
5	NGET	General	Note that "Regulatory" year should be replaced by "Formula" year throughout condition.		For ET should be 'Relevant Year' For GT should be 'Formula Year'.	A

6	NGET		'Effective' stakeholder engagement and 'exceptional' outcomes need defining		The guidance document rather than the face of the licence now provides detail on these (although exceptional outcomes is now high quality outcomes)	A
7	NGET		SSSt – is it possible to calculate the Licensee's performance and make the adjustment in the same year?		Incentive will be based on actual performance and therefore it can't be calculated until the performance is reported in the RIGs. This creates a natural two-year lag.	R
8	NGET	24.1	Suggest a definition be provided of "Stakeholder Satisfaction Output" ie by reference to Part E of GTC20.	NA	Have added definition to Part E	A
9	NGGT	24.4	(i) Within the definition of SSO, the reference should be to Part C of GTC 20 (ii) plus the term within GTC 20 is TOOIR rather than OIP		(i) Should be Part E (ii) Accept	(i) A (ii) A
10	NGGT	24.5	SER term should be 0.5% of base revenue, plus reference in GTC 20 is TOBR not BR?			A
11	NGET	24.6	Should the reference be to a GTC condition – but where should this link to?		For GT – What TOBR is and how it is calculated is set out in Part D of GTC20 For ET - This is Part C of ETC20 Have amended.	A
12	NGET	Part C	Title of Part C – This needs to cover First Establishment of guidance, not just modification	Part C: Establishment and Modification of the Stakeholder Engagement Reward Guidance 24.10 The Stakeholder Engagement Reward Guidance may be established or modified by the Authority by direction following the procedure set out in this Part C.	Guidance will already be in place at start of RIIO, so don't need to have process for establishing it.	R

13	NGET	24.11 (ET version)		<p>24.11 A direction issued by the Authority under paragraph 24.10 is of no effect unless the Authority has first:</p> <p>(a) given Notice to all licensees in whose licence a condition of like effect to this condition has effect, that it proposes to establish or modify the Stakeholder Engagement Reward Guidance:</p> <p>(i) specifying the date on which it proposes that the provisions of the Stakeholder Engagement Reward Guidance or modified Stakeholder Engagement Reward Guidance should take effect;</p> <p>(ii) setting out the text of the Stakeholder Engagement Reward Guidance or modified Stakeholder Engagement Reward Guidance and the Authority's reasons for the proposed modifications; specifying the time (which must not be less than a period of 28 days from the date of the Notice) within which representations may be made; and</p> <p>(b) considered any representations in response to the Notice that are duly made and not withdrawn.</p>	Not clear this needs to be on the face of the licence. It seems to be more about what the Authority has to do.	R
14	NGET		'Exceptionally Positive Outcomes' part (b) of definition is not clear		Will reflect definition in the guidance rather than on the face of the licence. Though now refers to high-quality outcomes in alignment with RIIO-GD1.	A
15	SHETL	Para 24.5	We think the equation should be adjusted as shown.	$SERt \max = 0.005 \times (BRt-2 + TIRGt-2)$	Agree	A

16	SHETL	Para 24.10 & 11	We suggest that all of these modification sections should make provision for the licensees to recommend changes; the detail of how this operates could be captured in the supporting document.	“Where the licensee identifies a potential modification to the Stakeholder Engagement Reward Guidance, they may propose a modification to the Authority in accordance with the procedure set out in [section X] of the Guidance.”	We agree that the licensees and other stakeholders should be able to make suggestions but we do not think it is necessary to be on the face of the licence. We have to take account of representations. The licence is about what the licensee has to do.	R
17	SHETL	para 24.14	This definition should refer to ‘interested parties’ as our stakeholders also include other parties who are directly impacted by our activities but wouldn’t fall within the current proposed wording such as statutory consultees, innovation community, etc. We are unclear about the comment in square brackets. We therefore suggest that this definition be discussed at the next Customer/Stakeholder Working Group session.		Interested parties now included in the definition	A

Reference number(s) & Condition name			[ETC 25] SF ₆			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject I/ Still Open (O))
1	SPTL	Page 49, para 3	No financing costs are included in the formula for SFIt	Include financing costs from t-2 to t in definition of SFIt to ensure present value neutral adjustment	We are considering this point.	O
2	SPTL	Page 49, para 3	In the formula for SFIt the term NTPCt is in 2009/10 prices and should be adjusted for RPI	Add inflation term RPIFt as provided in Part C of ETC20	Agreed have added an inflating term. Have not used RPIF. Only need to inflate for real value of incentive in t-2. Therefore will use actual RPI ie RPIAt-2 to inflate.	A
3	NGET	Part B, para 5	Use of "transmission assets" not appropriate as this is a specific term defined in Schedule 2A of the Electricity Act relative to OFTOs		Have amended with suggested text in draft licence condition ie	A
4	NGET	Para 6	Not clear why best endeavours should be required here: existing obligation is to use "reasonable endeavours" and no justification given for change		Amended to 'must use reasonable endeavours'	O
5	NGET			Various minor drafting amendments.	Accepted suggested changes.	A

Reference number(s) & Condition name			[GDC 25] Revenue adjustments for performance in respect of gas shrinkage and environmental emissions			
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGD	General	Note that para 20.4, in relation to SHR, refer to "Shrinkage Incentive", yet this para GDC25 refers to "the Maximum Distribution Network Shrinkage Allowance". Please ensure consistency.		Agreed. This has been amended.	A
2	NGGD	25.1	Suggest that expressly refer to Part B of GDC25. As to sub-para (b), should this be "Maximum Distribution Network Environmental Emission Incentive", to be consistent with sub-para (a) This would appear consistent with para 25.6		Agreed. Agreed.	A
3	NGGD	25.2	As to sub-para (a), we are unsure of what the licensee's right is where it is stated, "have expectations". This seems to suggest something short of a right. This needs to be clarified.		Agreed. We have amended this to read 'understand the basis of the revenue adjustment...'. We welcome any alternative suggestions.	O
4	NGGD	25.2 (a)	This para sets out that we can expect a revenue adjustment under a rolling incentive mechanism in relation to performance under para 25.1 i.e. for shrinkage and environmental emissions performance. However the only reference to the rolling incentive, in para 25.7, only mentions environmental emissions – it should also add shrinkage.		Agreed. At the time of consultation we were asking for views on whether it should be applied to shrinkage as well as the Environmental Emissions. We are considering responses and if they are supportive of extending the roller to shrinkage, then we will amend 25.7.	O

5	NGGD	25.3	<p>The title should read, "Formula for calculating the Maximum Distribution Network Shrinkage Allowance (SHR)". This is consistent with para 25.1(a).</p> <p>Insert the title of GDC20 in accordance with usual custom. Capitalised "maximum". This is consistent with para 25.1(a). As to SHR, delete the full stop and replace with a semi colon. As to ASC, I and Σ, delete the full stops and replace with semi colons. As to GRPC, delete the full stop and replace with a semi colon. As to "SB", delete "(which is part of this condition)" as these words are not required.</p>		Agree will all proposed amendments	A
6	NGGD	60/25.3	<p>Definition of Actual Shrinkage Cost (ASC) should refer to "... each LDZ I" to be consistent with other definitions. Also, we would like the definition to explicitly state that this includes both the cost of the gas and the cost of the procurement service.</p>	<p>means the actual shrinkage cost, including both the cost of gas and the cost of the procurement service, in respect of Formula Year t for each LDZ i of the relevant Distribution Network.</p>	Agreed.	A
7	NGGD	25.4	<p>Insert commas after "mechanism" on the second line and "2021/22" on the third line.</p>		Agreed.	A

10	NGGD	25.6	<p>Option 2: As to the title, we suggest that this reads, "Formula for Maximum Distribution Network Environmental Emissions Incentive (EEI)". Subject to our comments on para 25.1, suggest capitalise "maximum" and then delete "revenue" and then this will be consistent with our comments on para 25.1. Please also insert the title of GDC20. Delete "from" and replace with "in accordance with" before "the following formula". All 3 references to "Where" should not be capitalised. Also insert a colon after the first mention of "where". As to "IP": - the reference to "year t" should be "Formula Year t"; - delete "by the" and replace with "in accordance with the following"; - insert a semi colon at the end of the definition but before the formula. As to "OP": - delete "from" and replace with "in accordance with"; - also insert a colon at the end of the definition but before the formula; As to "LB": - delete "(which is part of this condition)"; - insert a semi colon at the end of the definition. As to "LV": - delete "as" and replace with "and is"; - insert at the end of the definition "; and". As to "OP", insert a full stop at the end.</p>		<p>As per the above comment, we will maintain the reference to the Environmental Emissions Incentive.</p> <p>We agree with the other drafting changes proposed, although note that the drafting of the LB_{ii} term already refers to Appendix 2.</p>	<p>R</p> <p>A</p>
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11	NGGD	62/25.6	Definition of $LB_{t,i}$ should refer to Appendix 2 rather than Appendix 1	means the LDZ allowed leakage volume in respect of Formula Year t for each LDZ i of the relevant Distribution Network as set out in Appendix 2 (which is part of this Condition).	As above, the definition of $LB_{t,i}$ already referred to Appendix 2.	R
12	NGGD	62/25.6	$LV_{t,i}$ definition should refer to "The Shrinkage and Leakage Model" to be consistent with rest of Condition.	means the LDZ actual leakage volume, as derived from the application of The Shrinkage and Leakage Model maintained by the licensee under Part D below	Agreed. The drafting has been amended	A
13	NGGD	25.7	This para states that Ofgem will determine the rolling incentive amounts by reference to the Final Proposals document published in December. We consider that this rolling incentive mechanism should be set out in detail, and well in advance of December, so as to have time to consider along with the rest of the draft Licence prior to FP. In addition, we consider that the mechanism should be unambiguous and set out in a similar manner to the annual incentive mechanisms so as to provide certainty of treatment, in line with best regulatory practice, and should therefore not be subject to Ofgem interpretation and determination in 8 years time. This could be done through either the Licence terms or the Financial Model.		Agree. We have now set out the detail of the true up in the licence text itself in paragraphs 25.6 (for Shrinkage) and 25.9 (for Environmental Emissions).	A

14	NGGD	25.8	It is unclear whether the term "incentive amounts" refers to revenues or volumes and so needs clarifying within the more general clarification of the rolling incentive mechanism as a whole.		It should refer to "revenue" and has been corrected as such.	A
15	NGGD	25.10	Insert commas after "must" on the first line, "Year" on the first line and "Authority" on the second line.		Agreed. Drafting has been amended.	A
16	NGGD	63/25.10	The significance of the statement "... together with any new information obtained by the licensee with respect to leakage rates, including data derived from leakage tests." needs clarifying; this would imply that a change to the leakage rates would not constitute a change to the leakage model. Is this Ofgem's intention?		Agreed. Any changes the leakages rates would be a change to the leakage which would need to go through due process as per part D of the condition. We have therefore removed this requirement. NB the reporting pack will still require companies to report the theft and own use gas factors.	A
17	NGGD	63/25.11	Not sure if this is grammatically correct?		With the addition of the grammar suggested in point 18 below, this paragraph is clearer.	R
18	NGGD	25.11	Delete the comma after "records" on the third line. Insert a coma after "require" on the fourth line.	Subject to the provision of reasonable prior notice by the Authority, the licensee must allow the Authority, or a duly authorised representative of it, such access to the licensee's staff, records, and facilities as the Authority may reasonably require for the purpose of enabling it to establish to the Authority's reasonable satisfaction that:	Agreed. The suggested punctuation has been included.	A
19	NGGD	25.12	Insert commas after "where" and "that" on the second line.		Agreed. The suggested punctuation has been included.	A

20	NGGD	25.13	As to the title “the” should be capitalised to be consistent with the title of Part D. Delete the comma after “must” on the first line.		Agreed. The drafting has been amended.	A
21	NGGD	25.14	Delete “The SLM Review” on the first line and replace with “The licensee”. The Review itself is not capable of consulting anyone. Should this include consultation with DN operators also?		Agreed. The drafting has been amended to refer to ‘The licensee’. We have included a reference to other DN Operators.	A
22	NGGD	25.15	Delete “it proposed to” and replace with “the licensee proposes to”. Insert a comma after “licensee” on the fourth line. What is meant by “incentive properties”? Can this be better described? As with our comments under para 25.1, we suggest that insert “Maximum Distribution Network” before “Environmental Emissions Incentive”. After “Incentive” on the sixth line insert a comma.		Agreed. The licence drafting has been amended. Agreed. “Incentive properties” relate to the strength of the incentive. For example, the level of investment required to outperform against the incentive should be the same following any modification to the leakage model. As per comment 9 we will retain “Environmental Emissions Incentive”. Agree with the addition of a comma.	A
23	NGGD	25.16	Delete the comma after “must” on the second line. As to the reference to para 25.7, this should instead be para 25.17.		Agreed. Comma has been deleted. Agreed. The reference is now to 25.17.	A

24	NGGD	64/25.16(b)	Should refer to paragraph 25.17, rather than 25.7	b) within 28 days after the close of that consultation make publicly available and submit to the Authority a report in accordance with paragraph 25.17.	Agreed. This appears to be the same point made above in comment 23.	A
25	NGGD	25.17	Delete "That report" and replace with "The report submitted by the licensee under paragraph 25.16". Sub-para (b) should refer to para 25.15 not 25.5. Sub-para (c) should also refer to DN Operators in order to be consistent with para 25.16(a). Sub-para (g) should also refer to DN Operators in order to be consistent with para 25.16(a).		Agreed. The drafting has been amended. Agreed. The reference is now to para 25.15. Agreed. The drafting now refers to other DN Operators. Agreed. The drafting now refers to other DN Operators.	A
26	NGGD	64/25.17(b)	Should refer to paragraph 25.15, rather than 25.		Agreed. This appears to be the same point as made in comment 25 above.	A
27	NGGD	64/25.17(c)	To be consistent with paragraph 25.16(a), this should include representations from other DN Operators.	(c) the representations (if any) that were made to the licensee by other DN Operators, gas shippers or other interested parties and not withdrawn;	Agreed. This appears to be the same point as made in comment 25 above.	A
28	NGGD	25.18	Insert a comma after "expert" on the third line and after "DN Operators" on line five.		Agreed. The extra punctuation has been added to the drafting.	A

29	NGGD	25.19	<p>This paragraph is generally not clear. Who will this information be provided to? What types of information would need to be provided? In what regard do DN Operators need to comply with para 25.18?</p>		<p>We have amended the paragraph to try and make this clearer. The purpose of the requirement is to help facilitate GDNs to make individual modifications to Ofgem where they do not have support of the other DN Operators. Where they do this and we agree that it better meets the objectives in 25.9, we would want all GDNs to adopt the change at the same time. To do this, the original modification proposal will need to set out the impact on the baselines of other GDNs and the licensee will require the co-operation of the other GDNs. This paragraph is designed to require that co-operation. We welcome further drafting suggestions to improve its clarity.</p>	O
30	NGGD	25.20	<p>Delete "The report" and replace with "The report submitted by the licensee under paragraph 25.16".</p> <p>The reference to 25.11 should be 25.9. Delete "their" on the fourth line and replace with "his" as the expert is singular.</p> <p>What is meant by "incentive properties"? Can this be better described?</p> <p>As with our comments under para 25.1, we suggest that insert "Maximum Distribution Network" before "Environmental Emissions Incentive".</p>		<p>Agreed. The drafting has been amended.</p> <p>Agreed that the paragraph reference should be 25.9. The independent expert should be gender neutral, hence use of 'their'.</p> <p>See response to comment 22 above.</p> <p>See response to comment 9 above.</p>	A

31	NGGD	25.20	Should refer to paragraph 25.9, rather than 25.11	The report must include the independent expert's opinion on the extent to which the proposed modifications to The Shrinkage and Leakage Model would better achieve the objectives set out in paragraph 25.9...	Agreed. This appears to be the same point raised in comment 30 above. The para reference has been amended to 25.9	A
32	NGGD	25.21	Insert a comma after "Model" on the second line.		Agreed. The additional punctuation has been added.	A
33	NGGD	25.22	The reference to 25.11 should be 25.9. As to sub-para (b): - insert commas after "condition" on line 2 and "report" on line 3; - Can Ofgem please clarify whether a revision directed under this paragraph is deemed to amend the appendices to avoid the licence mod procedure?		Agreed. The para reference has been amended to 25.9. Agreed. The additional punctuation has been added. Yes, the direction power within this paragraph will give the Authority the right to amend the baseline figures in appendices 1 & 2. However, the Authority can only amend these figures in line with the revised baselines included in the modification report where those have been agreed in the Independent Expert's report. In other words, we can only amend them in line with the proposals which industry has submitted. We welcome any additional drafting suggestions to make this clearer in the condition.	O

34	NGGD	65/25.22	Should refer to paragraph 25.9, rather than 25.11	Where the Authority considers that a modification set out in such a report would, as compared with the existing provisions of The Shrinkage and Leakage Model and any alternative modifications set out in the report, better achieve the objectives set out in paragraph 25.9..	Agreed. This appears to be the same point raised under comment 33 above.	
35	NGGD	25.23	Insert commas after "may" and "time" on line 1. Insert a comma after "event" on line 3.		Agreed. Additional punctuation has been included.	A
36	NGGD	25.28	After "submitted" on the first line insert "to the Authority". Delete "the 31 July deadline will apply to each SLSM Report to be submitted thereafter" and replace with "subsequent SLSM Reports must be submitted to the Authority not later than 31 July once in every two Formula Years thereafter"		Agreed. We have adopted the proposed drafting to maintain consistency of terms.	A
37	NGGD	25.29	"report" on the first line should be capitalised.		Agreed. The drafting has been amended.	A
38	NGGD	25.30	As to sub-para (b), "gasleakage" should not be one word.		Agreed. The typo has been corrected.	A

39	NGGD	25.30	Typo – missing space in gas leakage	(b) the licensee's assessment of the suitability of the use of Smart Metering Data as an alternative to the use of The Shrinkage and Leakage Model to calculate the levels of gas shrinkage and gas leakage with respect to each LDZ that it operates;	Agreed. This appears to be the same point raised in comment 38 above.	A
40	NGGD	25.31	At to sub-para (d), insert "its" before "best".		Agreed. Proposed drafting has been adopted.	A
41	NGGD	25.33	As to the definition of "The Shrinkage and Leakage Model": - the paragraph beginning "The Processes" should be changed to "These Processes" and then moved up to join the above paragraph. No space is required. - also delete "referred to in the above definition" as these words are not required; - delete the full stop at the end of the definition and insert "; and".		Agreed. Proposed drafting has been adopted.	A
42	NGGD	67/25.33(d)	Refers to "actual gas shrinkage volume term", which does not exist in the Condition. The actual gas shrinkage volume would be used to calculate the actual shrinkage costs, which is used within Part A.		Agreed with have removed the two references to 'term' under shrinkage and environmental emissions.	A
43	NGGD	68/Appen dix 1	Consistency in titles	Shrinkage Volume (GWh)	Agreed. We have adopted the proposed drafting	A

44	NGGD	68/Appendix 2	Consistency in titles	Appendix 2: LDZ allowed leakage volume (the LB term) for the period beginning on 1 April 2013 and ending on 31 March 2021	Agreed. We have now included the end date of the GD1 period for consistency.	A
45	NGGD	68/Appendix 3	Consistency in titles	Appendix 3: Environmental emissions factor (the CC term) for the period beginning on 1 April 2013 and ending on 31 March 2021	Agreed. We have now included the end data of the GD1 period for consistency.	A
46	NGGD	Part C – Formula for Environmental Emissions Incentive revenue (EEI)	We consider that Option 2 in conjunction with a two year lag to provide predictability of revenue adjustments should be applied. We favour Option 2 because the reward for any outperformance associated with specific investment would be recovered nearer the time of investment, and, in recovering the full enduring performance within RIIO GD1, it eliminates the potentially large instability in prices associated with the end of period true-up associated with Option 1 being recovered in a single year in RIIO GD2.		Agreed. We have now included this option as the main option in the text.	A
47	NGGD	Application of rolling incentive mechanism to Shrinkage	We support the application of the rolling incentive mechanism to Shrinkage in addition to the Environmental Emissions Incentive.		We agree and have proposed an identical rolling mechanism for shrinkage as for Environmental emissions in the latest draft.	A

48	NGN	General	The draft is inconsistent with the enduring/non-enduring calculations in the consultation		The drafting included two options on how the rolling incentive mechanism for Environmental Emissions Incentive could work. We consulted on both of them and on the option to extend the rolling incentive to the shrinkage incentive. We do not consider that the drafting is inconsistent with this approach. The appendix 3 to the outputs, incentives and innovation paper of IP set out the two options for the calculation of the true up under proposed paragraph 25.7.	
49	WWU	25.7	As per point 17 above, the same applies to para 25.7 regarding the definitions found in the final proposals being consistent throughout the Licence Conditions		Agree. We have now set out the detail of the true up in the licence text itself in paragraphs 25.6 (for Shrinkage) and 25.9 (for Environmental Emissions).	O
50	SGN	25.2(a)	Suggest that 'have expectations for' be replaced with 'understand calculations for'		Agreed. We have adopted the proposed drafting as cited in our response to comment 3 above.	A
51	SGN	25.4	Insert a comma between 'rolling incentive mechanism' and 'outputs which...'		Agreed. We have adopted the extra punctuation in line with comment 7 above.	A
52	SGN	Part C	Please see our comments in our response to Initial Proposals		We note the response and those of other stakeholders and are currently considering them.	O

53	SGN	25.9(b) and 25.18	We note that there seems to be some indecision on whether individual DNs should be able to pursue a modification to the Shrinkage and Leakage Model – the draft has changed several times on this aspect. The current drafting is ambiguous. It is not clear whether a DN can individually propose a modification and, if so, whether this modification can be implemented if other DNs do not wish to implement the change. We suggest that this should be allowed, and that other DNs would be required to follow suit should Ofgem direct that the modification should proceed. Certainly the licence condition needs to be clear either way		The drafting tries to ensure that individual licensees can propose modifications to the leakage model but that if these are approved by the Authority, then they will apply to all GDNs. This is designed to facilitate innovation but maintain the benefits of a common model across all GDNs. We welcome comments on the drafting with this in mind.	O
54	SGN	25.22	There should be a clear restriction in terms of the time in which the Authority has to make a decision in relation to the proposed modification. This is an issue currently with a modification that has been proposed but on which the Authority has not yet reached a decision. The modification process is already fairly long when the consultation periods are taken into account; it is therefore important that a decision is reached in a timely manner to ensure that customers receive a benefit at the earliest opportunity.		Reject. The modifications submitted to us have the potential to vary widely in terms of their scope and impact. We would like to reserve the right to undertake our own analysis, potentially employing technical expertise, if we did not consider that the modification report, consultation and review of the independent expert was sufficiently robust, or that we had uncovered new issues. We would not be able to do this if we were under a time restriction.	R

55	SGN	25.23	This clause seems to give the Authority carte blanche to direct changes to the model without prior consultation. We do not think that this is appropriate and are not clear what scenario Ofgem are envisaging where this clause would be required		This paragraph is designed to circumvent the need to undertake a licence modification process when a leakage modification approval requires changes to the shrinkage and EEI baselines. The clause is designed to only give the Authority the power to amend the baselines in line with those proposed in the modification proposal, where they have been endorsed by the independent expert. Please also see comments under comment 33.	R
56	SGN	25.24	Consider that 12 months from the implementation would be a more appropriate time for an independent expert to review the implementation as the report is run on a yearly basis.		Reject. We would want to identify any errors before a second reporting year was undertaken using the revised model.	R
57	SGN	Part G	We note Ofgem's response to previous comments on the requirement for DNs to provide a report on the use of smart metering data, which appear to suggest that this is almost a trial to assess whether smart metering data could be useful in terms of the leakage and shrinkage model. We consider that it would be more appropriate for the provision of this report to be done on a voluntary basis, certainly to begin with, rather than being in the licence. This would seem appropriate given the uncertainty of the usefulness of the report and the early stages that smart metering is currently at.		Reject. Such a requirement was clearly set out in the March strategy decision (paragraph 3.55 of the Outputs and associated incentive mechanism document). We see no reason to change our position on this. By 31 July 2014 the smart meter specification will be agreed. Companies will know what data they are going to receive and we would expect that the report sets out how they intend to use this data to test the assumptions of the leakage model. The report could also highlight the penetration of smart meters and subsequent data required to undertake these trials.	R

58	SGN	25.28	Notwithstanding the above comment, it is highly unlikely that there will anything to report in the SLSM report by July 2014.		Reject. See the points made in comment 57 above. There should be plenty to say in this report, particularly on how you plan to use smart metering data to test the assumptions in the leakage model.	R
59	SGN	25.30(a)	It is not appropriate for DNs to provide an update on the status of the national smart metering implementation programme as the implementation is not something that we will be involved in.		Reject. It is appropriate for GDNs to take a view on how smart metering data can improve their current practices including testing the assumptions used in the leakage model. To undertake this testing/use the data, GDNs will need to understand the penetration of smart meters in their licensee area. We will expect them to talk to suppliers to gain an understanding of this.	R
60	SGN	25.30(c) and (d)	Suggest should refer to 'licensees' rather than 'licensee', as we understand that this would be a joint, single report.		Agreed. We would expect this to be common and so have amended the drafting to reflect this.	A

Reference number(s) & Condition name		[ETC 28] Uncertain Costs [GTC 28] Uncertain Costs [GDC 28] Uncertain Costs [GTC 117] SO uncertain costs [ETC 117] SO uncertain costs				
No.	Comment from	Page /Para . Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SHETL	Pg. 134 / para 28.1	We are unclear why the Authority would wish to propose adjustments under this condition and would appreciate some clarity on this paragraph.		It is intended to be a symmetric mechanism. If costs fall below those forecast, and included in base allowance, then we can trigger a reopener. (see strategy decision)	R
2	SHETL	Pg. 135 / para 28.7	We are unclear how 'fortuitous' cost savings would be assessed. We therefore propose that this is amended as suggested.	"...(net of any cost savings that are fortuitous or otherwise not attributable to prudent management action)"	All licences: Latest draft does not include this text. See para 28.7 which is intended to replace this drafting.	A
3	SHETL	Pg. 135 / para 28.8	We believe that a threshold amount is more appropriate. We suggest £1 million (£1,000,000) as currently used in J4: para 7(a). In completing our Business Plan, we have assumed that this approach would be used and have modelled our approach to risk on this basis. Impact of these uncertain costs at this level would be material to SHETL. Appendices 1 and 2 would then not be needed.	Proposed text: "A material amount in respect of any cost category is where the amount of Relevant Costs incurred, or likely to be incurred, is greater than £1,000,000 (the threshold amount)."	As per Final Proposals the materiality threshold will be 1% of annual average forecast revenues following the application of the efficiency incentive rate.	R

4	SHETL	Pg. 136 / para 28.16	To allow the outcomes of the Authority's determinations to be incorporated into the Determination of the PCFM Variable Values and the Annual Iteration Process, we believe that the Authority may need to determine within three years (rather than four).		Application window is May (moved from July to allow time to make decision prior to annual iteration process). Therefore 6 months between close of application window and direction of change to PCFM Variable Value that feeds into calculation of MOD. 4 months decision making process left in this condition. To consider further whether four months is an appropriate timescale and will allow enough time to consult on changes. We have clarified how the interaction of determining the change in revenues and the annual iteration process work in the updated licence consultation.	R O
5	SHETL	Pg. 137 / para 28.24	The reference in this paragraph to 28.22 should be to 28.23.		Note, paragraph numbers have changed following re-structure of condition.	A
6	NGET	General	Change "relevant cost category" to "uncertain cost categories" to track title of condition and avoid confusion with definition of "relevant costs".		Applicable to all licences: Agree	A
7	NGET	28.7	How will this be determined? Will it be set out in the decision document?		See response 2 above	NA
8	NGET	28.8	Average Annual Forecast Revenue: requires definition		We have changed the reference to "materiality threshold amount". The value of which is set out in the appendix of the condition and the derivation of this amount will be set out in Final Proposals. We do not consider a separate definition is required.	R

9	NGET	28.13	Is this needed in context of 28.11?		This condition has been changed to improve explanation of relationship between adjustments and the annual iteration process. We consider this point addressed by this.	A
10	NGET	28.15	Why no paragraph equivalent to ETC 117.17?		This paragraph was deemed unnecessary following working group discussion. Left in ETC117 in error, it has now been removed.	A
11	NGET	28.23	Enhanced Physical Site Security costs definition: should just refer to "costs" to avoid confusion with paragraph 28.7: this term is used to define the class of costs, not whether it is recoverable. Only "relevant costs" within 28.7 are recoverable.		Applies to all licences: Text changed for all cost categories.	A
12	NGET	28.24	Delete as would read to inappropriate mechanism to avoid statutory licence modification procedure.		Disagree. The condition requires the Authority to conduct a review and consult the licensee before making a revision, and its decision is open to judicial review.	R
13	NGGT	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.		Definition has been updated. We would welcome further comments. Para 28.2 has been amended and reference is now to "Base NTS Transportation Owner Revenue". Each cost category now has it's own abbreviation. Text amended	A
14	NGGT	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?		To clarify, we have proposed a different materiality threshold than the other cost categories for asset health costs and network flexibility. The materiality threshold is double that of the other categories.	NA

15	WWU	Page 111 para 28.37	In para 28.37 – please see comments above about RIGs defining licence.		See response 12 comment	R
16	SGN	General	We are very concerned that there is no mechanism by which we can recover costs incurred in the current price control. In some instances, e.g. TMA costs, these are very significant. This is clearly an error and we would need a mechanism to allow us to recover these at the earliest opportunity. Please see our cover letter for more detail on this.		Noted and being considered.	O
17	SGN	28.1	Why does the Authority need to be able to propose a relevant adjustment? Understand that it may want to be able to propose adjustments as a result of the Fuel Pool and Central Agent cost reviews but this could be done without leaving it open to it being able to propose relevant adjustments to all of the relevant cost categories.		See response 1 comment above	R

18	SGN	28.1 and 28.10	As highlighted in our covering letter, it needs to be made clear in this licence condition that Relevant Costs include those costs that are likely to be efficiently incurred in the future, and not just those that have already been incurred. This is a major concern particularly for smart metering costs, where we expect to incur a huge amount of costs between the two re-opener windows. We would therefore expect to be able to recover at least some of these costs in the first window. Another way to do this could be to introduce a trigger mechanism whereby if licensees hit a certain level of costs, an additional re-opener is triggered. This could potentially be included in the midpoint review. The current drafting of the condition is confusing, as 28.1 appears to suggest that costs must have been 'efficiently incurred', yet 28.10 suggests that these could be forecast costs '..exceeds or is likely to exceed..'		<p>A set out in the strategy decision, the intention is that future costs can also be included in a reopener application.</p> <p>This condition has been changed to improve explanation of relationship between adjustments and the annual iteration process. The definitions have also been updated to include reference to "expected costs". We consider that these changes address this point.</p> <p>Second point relates to policy. This draft licence condition reflects policy set out in Initial Proposals.</p>	A
19	SGN	28.4	We note that no definitions are given yet for Smart Meter Roll-out costs or Large Load Connection Costs. Sight of these definitions is needed before we can fully comment on the draft.		Definitions have now been included. We would welcome comments on these.	A
20	SGN	28.7	Again, no definition given for Central Agent Costs.		A definition has now been included. We have changed the name to "Agency Costs" to be consistent with naming in Standard Special Condition A15. We would welcome comments on it.	A

21	SGN	28.23 and 28.25	28.23 states that the Fuel Poor scheme review will be carried out 'with a view to ensuring that it remains efficient and cost-effective for its stated purpose.' However, the drafting in 28.25 suggests that the Authority will only look at 'overall net carbon savings achieved by the scheme'. It is important to understand that the original purpose of the scheme was to extend the gas network to fuel poor customers and in doing so to assist in alleviating fuel poverty. This should not be overlooked in the review.		As stated in the licence the information requested will include information in order that we can assess the overall net carbon savings. This will not be our only consideration in a review of the scheme.	NA
22	SGN	28.9	'net of any cost savings that are fortuitous or otherwise not attributable to prudent management action' is too vague and should either be deleted or clarified.		See response 2 comment	A
23	SGN	28.36	The definition of Connection Charging Boundary Change Costs should also reference changes to any subsequent Connection Charging Methodologies.		"and as approved under this licence by the Authority and in force at 1 April 2013" removed from the definition. We consider that this addresses this point.	A
24	SGN	28.36	The definition of Specified Street Works Costs, particularly parts (d), (e), and (h) need to be expanded to include the unproductive cost element, or this needs to be separately identified.		We consider this definition to be adequate. "costs" refer to all costs that may be incurred in each sub-paragraph. Our assessment of costs at a reopener will consider the efficiency of costs and deriving the value of any adjustment.	R
25	NGN	28.19	This refers to directing special conditions only. The connection charge boundary is defined in the statement issued under standard condition 4B.	Replace "special" with "relevant"	Reference removed from equivalent paragraph in new condition.	A

26	NGN	110, 28.36	The definition of fuel poor network extensions scheme definition is too precise. Whole communities can be designated as fuel poor which therefore means that some individuals who are not fuel poverty but live in those communities are covered by this scheme.	Replace "in fuel poverty" with "eligible to receive a fuel poor voucher in accordance with the guidance set out in the connection charging methodology statement issued under condition 4B".	Definition amended.	A
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27	NGGD	General	<p>We agree with the principles of the condition to ensure the recovery of uncertain costs. Prior to final proposals we anticipate developments in the treatment of these uncertain costs and may require amendments to reflect the adjustment mechanism agreed before FP.</p> <p>Elements that may need to be amended are:</p> <p>Specified Street works Costs – Condition will need to reflect a decision on the proposed lane rental revenue driver mechanism proposed by National Grid and include guidance on how permit scheme cost assessment will be undertaken.</p> <p>Enhanced Physical Site Security – Will need to reflect that costs will be assessed as part of CPNI VFM2 audit process to determine the efficient level of cost allowance.</p> <p>Smart Metering Roll-Out Costs – Possible to determine revenue drivers for certain elements of these uncertain costs, therefore condition may need to be amended to reflect GDN proposals.</p> <p>Large Load Connection Costs – Definition to be agreed with GDNs</p> <p>Multiple Occupancy Buildings (MOBs) - Within our response to Initial Proposals, we have outlined our support for a volume driver to be applied to medium rise multiple occupancy buildings (MOBs) and have provided proposed licence drafting below to support this</p>		<p>Current drafting reflects policy set out in Initial Proposals.</p> <p>Specified Street works Costs – agree that changes will be required if Final Proposals provide a driver mechanism for lane rental.</p> <p>Enhanced Physical Site Security – we set out in our Strategy Decision the process we would go through in assessing costs, including the auditing process. We do not consider further drafting in the licence is required.</p> <p>Smart Metering Roll-Out Costs – agree that changes will be required if Final Proposals provide a driver mechanism for these costs.</p> <p>Large Load Connection Costs – definition now included. We welcome comments.</p> <p>Multiple Occupancy Buildings (MOBs) – this is currently not included in the drafting of this condition. Decision on how funding will be provided will impact on how it is treated in the licence.</p>	O
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28	NGGD	General	<p>The Licence Condition is not clear about how revenue allowances from spend on uncertainty categories will be included and calculated in the Model.</p> <p>The conditions suggests these will be included as variable values, however will the model take into account costs already incurred vs. costs anticipated in the future.</p> <p>For costs already incurred, a certain portion would naturally be funded via the TIM mechanism, therefore the model needs to fund the remainder of efficiently incurred costs (Variable Value or Variant Allowance?).</p> <p>For costs anticipated, will these be included in the model as variant allowances or does this depend on the individual uncertainty category. These aspects should be made clearer in the condition in the form of a table.</p>		<p>This condition has been changed to improve explanation of relationship between adjustments and the annual iteration process. The financial handbook has also been updated. We consider this point addressed by this.</p>	A
29	NGGD	28.1	<p>There is scope for confusion between "Relevant Costs" and "relevant cost category". We suggest that this is resolved by changing "relevant cost category" to "uncertain costs category", which also picks up the title of the condition.</p>		<p>Agree, references to "relevant cost category" have been changed to "uncertain cost category"</p>	A

30	NGGD	28.2	<p>"IAE" term should be defined.</p> <p>As to the reference to "MOD", rather than "calculated" suggest "derived" in accordance with GDC20.</p> <p>The title of GDC20 is incorrect; the correct title is "Restriction of revenue in respect of the Distribution Network Transportation Activity".</p> <p>We suggest insert before "Activity" on line 9 "Transportation".</p>		<p>There is no longer an "IAE" term. Now there is a term for each uncertain cost category and these are stated in the licence.</p> <p>This condition has been changed to improve explanation of relationship between adjustments and the annual iteration process. We consider these points addressed by this.</p>	A
31	NGGD	28.3	<p>We note that Part D (rather than Part E) of GDC47 has now been struck out. Further, the definition of "Total Allowed Totex" has also been deleted in GDC47. Thus please confirm how this IAE term will constitute an element of Totex under that condition.</p>		<p>This condition has been changed to improve explanation of relationship between adjustments and the annual iteration process. We consider these points addressed by this.</p>	A
32	NGGD	28.6	<p>Delete "the" on line 4 and replace with "that".</p>		<p>Text changed in re-structure of condition so no longer there.</p>	A
33	NGGD	28.9	<p>As to the reference to "Special Conditions", we suggest the deletion of this term and the insertion of "Price Control Conditions".</p>		<p>Price Control Conditions is not referred to within the licence. Special Condition is the appropriate terminology</p>	R
34	NGGD	28.10	<p>Whilst "Average Annual Base Revenue" is set out in Appendix 2, it does not appear to be a defined term and therefore query need to capitalise.</p> <p>"Price Control Period" should be capitalised.</p>		<p>We have changed the reference to "materiality threshold amount". "Price Control Period" is therefore also no longer required. The value of which is set out in the appendix of the condition and the derivation of this amount will be set out in Final Proposals. We do not consider a separate definition is required.</p>	A

35	NGGD	28.10	The current wording could be taken to mean that the material amount is only the amount of cost which is excess of 1% whereas we think it should mean (to be consistent with current Licence) all the cost, so long as it is in total greater than 1%. Changing the words "the amount" to "an amount" would we think clarify this.		The intent is that it will be all costs, once they have passed the materiality test.	A
36	NGGD	28.13	Insert "paragraph" before "28.10".		Text changed in re-structure of condition so no longer there.	A
37	NGGD	28.14	After "window" on the third line insert "as set out in paragraph 28.12,". Also insert a comma after "such application" on the third line. The reference to 28.11 and 28.12 should be 28.9 and 28.10.		Text changed in re-structure of condition so no longer there.	A
38	NGGD	28.15	If any category of UM does not reach the threshold (c£8m per DN), there is no provision for claiming UM spend. Surely we must be able to claim at the end of RIIO1?		The licence condition will not be applicable once RIIO-GD1 is finished. This will be dealt with as appropriate in adjustments that will occur in the next price control. Final Proposals will set out how we intend to assess costs that have not been recovered in RIIO-GD1 because the materiality threshold was not reached.	NA

39	NGGD	28.18	<p>This paragraph should be made expressly subject to paragraph 28.19.</p> <p>This para refers to "consultation with the licensees", which is in contrast to GTC28.18 which provides "after consulting the licensee". Will consultation occur with licensees other than NGG?</p> <p>After "considers," insert "in the circumstances".</p>		<p>Drafting updated and proposes that licensees and other interested parties are consulted when the Authority is determining an adjustment.</p> <p>In relation to Connection Charging Boundary Costs, we have proposed that if a reopener is triggered by one licensee then we will consider amending all GDN licences.</p>	NA
40	NGGD	28.19	<p>Delete "gas" on line 4.</p> <p>After "determination" on line six insert "and direction".</p>		<p>References to "gas DN Operator" changed to "DN Operator".</p>	A
41	NGGD	28.23	<p>Insert a comma after "2013".</p> <p>The abbreviation should be capitalised i.e. "the Scheme". All references to the "scheme" should then be capitalised.</p>		<p>Comma inserted.</p> <p>Capital not required.</p>	A R
42	NGGD	28.27	<p>Ofgem can cease the fuel poor scheme at any time. We should have a clause that allows recovery of costs on ongoing projects up to the point of the cessation.</p>		<p>As set out in para 28.28, following the review we will make an adjustment to allowed expenditure levels. This adjustment will take account of a GDN's requirement to fulfil its obligations on ongoing projects. We do not consider further drafting is required.</p>	R
43	NGGD	28.29	<p>Standard Special Condition A15 refers to "Agency" as opposed to "Central Agent Costs". This should be rectified.</p> <p>Insert commas after "may" and "2013" on the first line.</p> <p>Insert "A" before "15" on line 5 and also insert the title of this condition.</p>		<p>Amendments made.</p>	A

45	NGGD	28.36	<p>Please correct the punctuation of all definitions i.e. insert semi colons at the end rather than full stops as they are a list.</p> <p>Please also put list in alphabetical order i.e. move "Central Agent Costs" up and move "Relevant Costs" down the order.</p> <p>As to the reference to "Relevant Costs" in each of the definitions (as opposed to the defined term in this paragraph), this should just be to "costs" otherwise the definition is circular. These definitions are to identify the cost categories, not whether particular costs within them are "relevant". Para 28.9 then filters costs to determine whether "Relevant Costs".</p> <p>As to the definition of "Efficiency Incentive Rate", delete ", and" and replace with "as".</p> <p>As to "Enhanced Physical Site Security Costs", as to sub-para (b): - insert "of" before "State"; - does "gas facility" have the meaning provided in section 85(4) of the Act?</p> <p>As to "Fuel Poor Network Extensions Scheme", delete the reference to "gas".</p>		<p>Approach to lists being considered internally.</p> <p>This has been done</p> <p>Agreed, definitions have been amended.</p> <p>Reference has been changed to "Totex Incentive Strength Rate" to be consistent with financial conditions.</p> <p>In the relevant section of the Counter-Terrorism Act gas facility is defined as "means a facility used for the purposes of, or for purposes connected with, the transportation of gas from a gas shipper to a gas transporter or gas supplier".</p> <p>Amendment made and definition expanded as per response 26</p>	<p>O</p> <p>A</p> <p>A</p>
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46	NGGD	28.37	We do not think it is appropriate to provide for further explanation or elaboration of the definitions in para 28.36 to be set out in the RIGS. We need to see a draft copy of the RIGS in order to more fully understand what Ofgem is proposing to provide		See response 12 above	R
47	NGGT SO	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.		As previously discussed, this condition allows for the Authority to direct changes in revenue. Therefore allowing a third party to propose any change to us. We therefore consider that this provision remains under the proposed licence condition.	R
48	NGGT SO	117.2	The SOMOD term will feed into GTC7 not GTC20 – plus update the terms affected.		Amendments made	A
49	NGGT SO	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.		We do not consider further drafting is required. Para 117.17 proposes that the Authority notify the licensee within 14 days of determining the adjustment. Part D then sets out the process for directing the adjustment.	R
50	NGGT SO	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?		This condition has been changed to improve explanation of relationship between adjustments and the annual iteration process. The financial handbook has also been updated. We consider this point addressed by this.	A

Reference number(s) & Condition name		[GTC 30] Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity [GDC 30] Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGT/NGGD	30.2	This introduction does not refer to the provision of the methods report under Part E. Please include.	Have added drafting to reflect	A
2	NGGT	30.7(f)	Do not believe that this is relevant for the NTS licence.	Agree – not needed in light of removal of metering conditions. We also suggest amended the list in XX.7 such that they are licensee specific. Changes made to both the GT and GD versions of the condition.	O
3	NGGD	30.7(f)	What is justification for change from present wording which refers to “metering activities” which are defined in STSPC A3	Reasons for change: 1) Current definition of metering activities is circular for Non-tariff capped metering activities. 2) The condition makes clear that you only need to report on things to the extent you undertake so we do not see as onerous if new definition catches areas things that, as a company you do not do.	R
4	NGGD	30.1	We suggest the following amendments to this condition, “This condition sets out how the licensee must allocate revenues and costs for the purposes of calculating its Maximum Distribution Network Transportation Activity Revenue in accordance with the provisions set out in GDC 20 Special Condition [x] (Restriction of revenue in respect of the Distribution Network Transportation Activity).”		A

6	NGGD	30.3	We suggest the following amendments, "Unless the Authority otherwise directs in writing, any allocation or attribution of revenues, costs, assets, and liabilities performed by the licensee in order to calculate any of the values referred to in the Maximum Distribution Network Transportation Activity, as calculated in accordance with the provisions set out in GDC 20 Special Condition [x] (Restriction of revenue in respect of the Distribution Network Transportation Activity), must conform to the principles set out in paragraphs 30.4, 30.5 and 30.6."		A
7	NGGD	30.7	a) "Transportation and Metering Business" should be reworded as "Transportation Business and the Metering Business" to reflect defined terms in Standard Special Condition A3. b) As noted, this paragraph needs to be updated to include cross references. As to sub-para (c), will this term be defined in GDC19? As to sub-para (d), delete "activity" in order to be consistent with the definition in para 30.14. As to sub-para (f), please capitalise "metering business" and "meter reading business". As to sub-para (g), please insert the correct title of GDC31.	a) A b) See point 2 above.	O
8	NGGD	30.7 (g)	Item 30.7(g) is redundant, as excluded services are part of either item (a) NTS TO activity or (b) DN transportation activity.	We do not believe it is redundant - it adds clarity and it is in the current condition.	R
9	NGGD	30.14	As to sub-para (b): "states the results of those procedures" does not seem clear. Please clarify.	Have suggested amendment to 14 (b) based on para 5(b) of current licence.	A

Reference number(s) & Condition name		[ETC 31] Services treated as Excluded Services [GTC 31] Services treated as Excluded Services				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET		Consider comments tracked into condition that were part of NGET's response to July consultation.			O
2	NGGT		Consider comments tracked into condition that were part of NGGT's response to July consultation.			O
3	NGGT	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.			O
4	NGGT	31.3	Para 31.3 – description should also include “excluded from SOMR _t ” with appropriate reference.			O
5	NGGT	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.			O
6	SHETL	General	At present, both the Regulatory Accounts and Excluded Services condition have the same ETC reference.			O

7		Pg. 79 / para 31.7	We suggest that the term Transmission Business be replaced with 'Transmission Business Activity' to bring in line with proposed drafting of B2 [ETC 31]. The definition in this condition could then either be used in both conditions or made a standard definition when ETC 19 is updated.			O
8	SHETL	Pg. 80 / para 31.8(d)	The issue of Royalty Income from the NIC needs to be decided on separately and this clause may need to be changed accordingly.			O
9	SHETL	Pg. 80 / para 31.10	ES2 – we think this category needs to be amended to make it clear that on those works that are funded as a consequence of the obligation are excluded. Alternative text proposed in bold.	Alternative text: <i>"Diversionary works under an obligations: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation (other than the one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act), where the statutory obligation makes provision for the reimbursement of the costs incurred."</i>		O
10	SHETL	Pg. 80 / para 31.10	It may be beneficial for this definition to cross-reference to the NAP and/or STCP 11.3 which makes provision for these payments.			O

Reference number(s) & Condition name		[GDC 31] Services treated as Excluded Services				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGD	7.47	Our consented activities are ones that would otherwise be classified as de minimis activities and NGGD consider they should not come within scope of excluded services.		Noted.	A
2	NGGD	7.48	NGGD agree with the comment that theoretically, excluded services don't need to be individually listed in the gas licences. However, NGGD believe that listing the principal excluded services provides clarity for non-lawyers and also provides certainty around borderline services such as user pays or services for the benefit of a specific shipper.		Noted.	A
3	NGGD	31.1	Suggest insert "certain" before "services" on the first line. Rather than using "Special Conditions", we are suggesting that a defined term be set out in GDC19 in relation to "Price Control Conditions", and then detail each of the relevant price control conditions.		Inserted "certain". Special Conditions is referred to throughout the licence not price control conditions.	A R
4	NGGD	31.2	The reference to paragraph 31.12 should be to paragraph 31.10. Please correct.		Referenced changed from 31.12 to 31.10	A

5	NGGD	31.3	<p>Delete "are" on the second line and replace with "such revenue is".</p> <p>After "Revenue" on line 3 insert "as defined in". This is consistent with GTC31.3.</p> <p>Insert the title of GDC20.</p> <p>Then delete "formula" on line 3.</p>			A
6	NGGD	31.3	<p>Clause 31.3 is not quite properly drafted</p>		Not clear to us what change you propose.	R
7	NGGD	31.5	<p>The reference to "Part C" should be "Part D".</p> <p>After "Part C" insert "of this condition" in order to be consistent with paragraph 31.4.</p> <p>After "service" on the third line insert "provided by the licensee".</p>			A
8	NGGD	31.6	<p>The reference to "Part D" should be "Part C".</p> <p>After "Part D" insert "of this condition" in order to be consistent with paragraph 31.4.</p>			A
9	NGGD	31.8	<p>As to sub-para (a), insert "Distribution Network Transportation Charges" in accordance with" at the start of this sub-para.</p>			A

10	NGGD	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, should either be on face of licence or in specific consent.		We consider that it is of potential use to define excluded services in more detail in the RIGS.	R
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11	NGGD	31.10	<p>Please punctuate charges as a list.</p> <p>As to "ES1", "(but only to the extent that the service is not already remunerated under one of the charges mentioned at paragraph 31.8)" should be deleted as this is the "General Principle" and thus does not need to be expressly included and also because it has not been included in any of ES2 through ES7 and thus would be inconsistent to include here.</p> <p>As to "ES4", delete "of the Gas Transporter Licence" and replace with "of the licence".</p> <p>As to "ES5":</p> <ul style="list-style-type: none"> - "uniform network code" should be defined as "Network Code" in accordance with the definition set out in Standard Special Condition A3 of the licence; and - also insert "Standard" before "Special Condition as it is a Standard Special Condition rather than Special Condition; - delete "of the Gas Transporter Licence" and replace with "of the licence". <p>As to "ES7", sub-para (b) should read "is not made available by the licensee as a normal part of the activities of its Distribution Network Transportation Activity or its Metering Business".</p>			A
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12	NGGD	31.12	The reference to paragraph 31.9 would appear to be a reference to paragraph 31.11. Please correct. "Direction" should not be capitalised.			A
13	SGN	31.8(b))	The issue of Royalty Income from the NIC needs to be decided on separately and this clause may need to be changed accordingly.		No change required. We intend that Royalty Income is not defined as an Excluded Service.	R
14	SGN	31.10	Insert 'be' between 'but not' and 'limited to'			R

Reference number(s) & Condition name		[ETC39] Baseline and SWW outputs				
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Rejected I/ Still Open (O))
1	SPTL	Page 101 paras 7 and 9	Specification of baseline and strategic wider works outputs and assessment of allowed expenditure	Should the values in tables 1 and 2 be by year as opposed to totals so that adjustments can be made?	As agreed at licence drafting meeting Tables 1 & 2 have been revised to include an annual profile of allowed expenditure.	A
2	SPTL	Para 20	SWW Outputs: We are not clear why there is a reference to "totex adjusting event" rather than COAE.	Change "totex adjusting event" to "Cost and Output Adjusting Event".	Agree to replace with COAE term.	A
3	SPTL	Para 40	This paragraph relating to revisions to WWE in the table is difficult to follow. The reference to „checking; whether WWE is still the same as the values in the table is obscure. We assume it is meant to simply provide for the values in the table to be revised (following consultation with licensee – should be added) following a submission provided for under part G.	Please review drafting to make clear.	Could put in WWE terms from previous year (at start of price control these would be the opening base revenues but these would be over written by new WWE values).	O

4	SHETL	Pg. 99 / para 2	Wider works may not only refer to „onshore“ infrastructure, especially given the requirement to build island links in the near future.	Alternative text: <i>“...means reinforcements of or additions to the main interconnected transmission system that result in increases of transmission capacity...”</i>	Further consideration required – in the meantime, further reasoning on draft alternative text welcomed.	O
5	SHETL	Pg. 102 / para 11	We would expect a COAE to be able to apply to both base and SWW projects as the conditions we would expect to require a COAE could occur in both types of project.		No – only to apply to SWW as per FP.	R
6	SHETL	Pg. 102 / para 12	This paragraph infers that the COAE is required after a single exceptional event. However, it is more likely that a COAE will be required after an accumulation of such events – this should be considered in the drafting.		The COAE is limited to covering a change in the scope of works of a project as a result of a single event. There could be an accumulation of changes a direct result of a single event but they should be some clear link that as a result of event A costs have been incurred to address X, Y and Z. It is not intended that the COAE would address the additional costs incurred of independent events A and B that were individually less than the threshold but together met exceeded the threshold. We will consider some text for the licence draft to convey this intention more clearly.	O

7	SHETL	Pg. 103 / para 13	As above, there is unlikely to be a single event and more likely to be a series of events which result in a requirement to adjust cost or output measures.		See above.	O
8	SHETL	Pg. 103 / para 13.d	Important to include "reasonably" in this line.	Alternative text: <i>"Changes in the project scope that could not reasonably have been anticipated during the assessment process."</i>	Will do.	A
9	SHETL	Pg. 103 / para 14	As above, remove reference to a single event to recognise the possibility of cumulative effect.		See response to 6.	O
10	SHETL	Pg. 105 / para 19; pg. 107 / para 29 & pg. 109 / para 36	There is no reference to the timescale in which the Authority will determine on the COAE – this is required and should give consideration to the process for PCFM Variable Values required for the financial model.		Difficult to be definitive here – some COAE could be quite complex to assess. Not necessary to give consideration for PCFM variable values here as this is dealt with in as part of the update of WWE term in Table 3.	O
11	SHETL	Pg. 106 / para 24	Include reference to changes which could not reasonably have been foreseen.	Alternative text: <i>"In paragraph 23, "changes in system background" means changes in the generation and/or demand background which affect the output and which could not reasonably have been foreseen during the assessment process."</i>	Agreed – but aren't TOs obliged to used the system background prepared by the SO?	A

12	NGET	Pg 102, para 1a	What are consequences on non-delivery?		It is a key principle underlying RIIO – that TOs will be held to account for delivery of outputs. Where delivery is not complete then the principle is that the licensee should be allowed efficiently incurred expenditure and that any other allowances are clawed back. Licensee could also be subject to potential enforcement action and a financial penalty for non-delivery of the output.	O
13	NGET	Para 2	How is increase in transmission capacity defined?		Would welcome TOs views on appropriate definitions of increases in transmission capability that might be needed to recognise the options available to TOs to ease congestion.	O
14	NGET	Pg 105, para 12a	Concern that para is too vague			
15	NGET	12bii	How will COAE apply for NGET? Needs clarity of scope.		<p>We set out approach in IP – in the appendix on the SWW. We set out further detail</p> <p>We are continuing to work with the licensees to develop specific licence drafting to reflect our July 2012 funding decision on the Western HVDC link. The COAE provisions for this project will take into account capital expenditure allowances (as set out in ETC52) and associated expenditure for the pre-RIIO-T1 period.</p>	O

16	NGET	Pg 108, para 18a	What is 'output delivery'? How is this defined?		Propose to define this as 2 nd stage electrical commissioning. What are TOs' views on this?	O
17	NGET	Para 20	How is "totex adjusting event" defined?		Will change "totex adjusting event" to "Cost and Output Adjusting Event".	A
18	NGET	Para 20	What happens if Authority does not respond?	Suggests including a deemed acceptance provision.	No. The Authority will respond given the potential materiality.	R
19	NGET	Pg 109, para 26	How will 'initial assumptions' be identified?		These should be set out in the TOs' submission on the needs case for the SWW. This will be part of the background against which the proposed output is assessed as being required.	O
20	NGET	Pg 110, para 27	Queries about how 'achievable capacity' and revised 'system background' will be assessed?		TOs' will need to show that amount of transfer capability it will deliver will be different to that specified in the licence owing to a change in system background.	O
21	NGET	Pg 112, para 34c	Query about risk sharing with whom?		With consumers. How do they propose to manage risks around the project by building in extra contingency funding, insurance against specific types of risk etc.	O

Reference number(s) & Condition name		[ETC 41] Allowed expenditure for Incremental Wider Works [NGET only]				
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject I/ Still Open (O))
1	NGET		Is it the intention that these coloured paragraphs remain in the final Licence?		No, only included for explanation/clarity on what licence condition is aiming to do.	A
2	NGET		IWW – Why not formatted as a defined term?		It's defined in paragraph 1.a	R
3	NGET	Para 9	Not a baseline issue. Some sort of reporting requirement.		Is it not at least partially a baseline issue to report on delivery of baseline outputs?	R
4	NGET	Para 11.a.2	Is this necessary or appropriate for inclusion in the Licence?		It's appropriate that the Licensee set out in its NDP how it will explain any differences that arise between the capacity of the output it proposed to deliver and the actual output it delivered.	
5	NGET	Para 15	Does the Finance model need a brand new IWW each year, or does it just want the VIWW? This could be simplified if it only needs VIWW.		Yes – the IWW term will get overwritten with a new value made up of last years' IWW and the VIWW from the current year.	R
6	NGET	Para 16 definition AITC	We talked about the difference between planned/assessed and actual due to background changes. Is this meant to reflect this issue?		Yes.	A
7	NGET	Table 2	Does not reflect Ofgem's proposal for stepped UCAs at other thresholds above the baseline		Agree this will need to be updated. Ofgem is currently reviewing its proposals in light of NGET's response to IP so will update shortly.	A
8	NGET	Part E & Part F	Same in every similar ETC. Is this necessary?		Will check with Regulatory Finance/Lawyers whether we need it here or whether we refer to general process.	O

9	NGET	Part D	<p>Potential issues may be hidden if the process were to start at an assessment of the actual vs. forecast incremental wider works.</p> <p>For example the appropriate allocation of the risk of baseline changes – these changes, which are driven by changes in the generation and demand background, could involve the provision of an allowance that is too high or too low, and there are actions that NGET can take to manage the risk (including the use of an appropriate range of scenarios in the NDP analysis).</p>		<p>Sharing of the risk between NGET and consumers appears appropriate.</p> <p><i>Illustrative example 1 – forecast reduction in baseline capability that was to be addressed with a reinforcement, the cost of which is included in the base funding, does not materialise causing a windfall benefit for NGET</i></p> <p><i>Illustrative example 2 – an unexpected reduction in baseline capability that needs to be addressed with a transmission reinforcement is identified by the annual application of the NDP causing a loss for NGET</i></p> <p>For each of these examples, the arrangements should ensure consumers only pay for what is actually needed (ie claw-back the NGET windfall benefit in example 1, and provide additional allowance to avoid in example 2). NGET will be exposed to changes that should have been foreseen as part of the NDP process but the use of provisions to cope with 'exceptional' circumstances (eg closures which were deemed to be v unlikely, but had a significant impact on baseline boundary capability).</p> <p>The condition will need to start with the baseline rather than with the incremental works.</p> <p>Ofgem to redraft the licence condition to include this.</p>	O
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10	NGET	Definition of capacity	<p>There are a number of issues that need to be addressed with the definition of boundary capability, including:</p> <p>i. Winter peak vs. off-peak conditions- NGET are currently reviewing potential transmission solutions to better understand the prospect of a reinforcement being taken forward which only delivers boundary capability for particular (non-winter peak) conditions. These reinforcements would not be funded if the definition was limited to winter peak capacity.</p> <p>ii. Transfer of risk to the System Operator – there may be circumstances in which it may be preferable to contract with generation rather than committing to a transmission reinforcement. This may be because the duration of the requirement is uncertain, or because the need case is about to become more certain.</p> <p>The definition of boundary capability must be broad enough to allow provision with a contract (or other, eg smart measures). If the contract is for a limited period (eg one-year) then the incremental wider works volume-driver will only provide the reinforcement financing costs for a limited period (eg one year of financing costs). This is the appropriate cost to trade-off against the contract cost. NGET noted that the success of this incentive framework is reliant NGET being exposed to the contract costs under the SO incentives scheme. Whilst a BSIS scheme with modelled target costs and equivalent sharing factors would achieve this, it was noted that this is not consistent with the latest Ofgem proposals for 2013/14.</p> <p>iii. Interconnector export conditions – there may be a requirement to specify both normal and 'interconnector export' capabilities for a limited number of boundaries, which are particularly influenced by interconnector flows.</p>		<p>It would be useful if NGET highlights in their NDP submission some real, or if necessary theoretical, examples to highlight these issues to Ofgem and other stakeholders.</p>	O
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11	NGET	Abortive works	<p>Need to include treatment of abortive works (incremental wider works that are initiated but then suspended or stopped due to a changes in the generation background following an annual iteration of the NDP) could be similar to the treatment of differences between actual abortive costs and user contributions in condition D9 of the current transmission licence. This includes:</p> <p>The exclusion of any capex on terminated schemes from the capex incentives mechanism (so NGET does not face a 25% hit); and</p> <p>Funding for capex incurred on terminated schemes that is not covered by generic or capital contribution final sums (provided on a backdated basis at the end of the period).</p> <p>NGET will propose some drafting to achieve this when the drafting for the generation uncertainty mechanism is available for comment.</p>		<p>Appropriate to include some provision to ensure company has incentive to suspend works if no longer economic and efficient. Will review proposed drafting when provided by NGET.</p>	O
12	NGET	Incremental wider works qualification criteria	<p>Propose a de minimis cost level below which the volume-driver would always be used.</p>		<p>Can other criteria (in addition to cost) be used? Eg the need for planning consents. Welcome NGET's analysis on this and its additional proposal.</p>	O

Reference number(s) & Condition name		[ETC 45] Transmission losses				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject I/ Still Open (O))
1	SHETL	General	Condition reference in our current licence is L2 , not D2.		Have updated licence for correct reference.	A
2	SHETL	Pg. 82 / para 1	We suggest that the Interpretation section be moved to the end of the condition and given a paragraph reference to maintain consistency with the other price control conditions.		Accept.	A
3	NGET	Para 4	Instead of vague wording in relation to stakeholders above, insert new paragraph based on eg Part D of ETC 53, requiring the information to be made available for stakeholders by publication on the licensee's website.	Part D: Availability of the NAP 15. The licensee must ensure that a copy of the NAP in place under this condition: (a) is published on, and is readily accessible from its website; and (b) is otherwise available to any person who requests it upon payment of an amount (if any) that does not exceed the reasonable costs of making and supplying that copy.	Have added text along the lines of Part D or ETC53.	A
4	NGET			Various minor drafting amendments.	Have accepted.	A

Reference number(s) & Condition name			[GDC48] Discretionary reward scheme revenue amounts			
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGN	GDC48	It-1 and It-2 need to be defined		They are defined as the Average Specified Rate. A definition of which will be in the definitions condition.	R
2	SGN	GDC48	There is a significant delay between performance and reward, e.g. rewards for performance in 2013 will not be given until 2016. This delay could potentially weaken the incentive.	It would be more appropriate to award rewards annually, then a more direct link could then be made between the investment made by the licensee and any reward given. An annual reward would also help in the issue of charging volatility and would help to smooth prices for customers, rather than the lumpiness in charges that could potentially result from the reward being made in just two payments across the price control period.	We have discussed this issue at length and our policy decision remains the same. We don't think there is an issue of volatility given the sums of money involved.	R
3	SGN	GDC48	The structure of the condition is confusing.	It would be more logical for Part B to detail the DRSt term and refer back to 48.2(b). Part C could then give the formula for calculating DRSt. 48.6 would then no longer be required as DRSt, DRSt and DRSt have already been explained / defined.	We agree with comments and will modify licence as suggested.	A

4	NGGD	GDC 48	Currently there is nothing that says how DRS is allocated for individual networks so at present we make the decision to allocate it by supply points.	Suggest that this point be formalised for RIIO and on the existing price control we still have 3 years to allocate.	As per strategy document, DRS is allocated per licensee and divided between Distribution Network based on customer numbers per LDZ. "licensee's performance" therefore left in text. We will consider further whether for the NGGD licence it needs to specify in the licence how any reward is split between Distribution Networks.	O
5	NGGD	GDC48	(b) we would like DRS to be recognised by network not licensee – at the moment the Panel expect NGG to do more (as we have 4 networks) but we do not get rewarded for 4 networks, only as one licensee as if it is the same size as the others	Suggest that the definition of DRSxT and/or para (b) recognises that licensees will be awarded on a per network basis (not licensee basis).	We have discussed this issue before and the policy decision remains the same. Reward allocated to licensee (regardless of number of Distribution Networks) given that any projects are developed by the company and implemented as they see fit across LDZs. Given the economies of scale, bigger companies would find it cheaper to develop projects and implement where needed.	R

6	NGGD	GDC48	As to the reference in sub-para (b) to "Price Control Arrangements", please clarify meaning: should this be "under the Price Control Conditions" for consistency of language? This is also referred to in para 48.2, although not capitalised.		Price Control Condition not referred to in the licence. Special Condition is correct terminology.	R
7	NGGD	GDC48	The structure of this condition seems to be back-to-front with the detailed terms defined prior to the main term, DRS.	It would be better re-structured as for other conditions.	Condition defined as per electricity licence but we can consider merits of reorder. Will re-draft and consult legal	A

Reference number(s) & Condition name		[ETC 53] Network Access Policy				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject I/ Still Open (O))
1	SPTL	para 7(a)	Text "... ,have regard to the desirability of minimising system costs" could be seen as emphasising short term considerations at expense of longer term.	Replace by "to secure the best long term outcome (including costs) for customers".	Agree to suggested change as this is consistent with the discussions to develop the draft NAP.	A
2	SHETL	para 7	As discussed in the working group, the requirements need to be reviewed in light of the draft document developed by all parties to ensure that this section aligns with the document developed.		Not inconsistent although this is something that we can pick up again before the December Statutory consultation. This provides a range of stakeholders with the opportunity of commenting on the basic requirements set out in Part B.	O
3	SHETL	para 9	In light of the approach taken to developing the NAP and the interaction across all TOs (as well as the SO), a copy of the statement on the proposed revision should be provided to other TOs. Additional text proposed in bold.	"...provide a copy of that statement to the System Operator and other holders of a transmission licence."	Agree to suggested change	A
4	SHETL	Pg. 85 / para 11	In light of the approach taken to developing the NAP and the interaction across all TOs (as well as the SO), other TOs should be invited to submit comments on a proposed revision or amendment. Additional text proposed in bold.	"... consideration of any submission made by the System Operator and other holders of a transmission licence."	Agree to suggested change	A

5	SHETL	Pg. 86 / para 15	We suggest that an additional paragraph is required here to cover revisions or amendments to the NAP approved by the Authority.	Additional paragraph proposed: "In the event that the Authority approves a revision or amendment to the NAP under the procedure set out in Part C, the licensee must ensure that the NAP made available under paragraph 15(a) is updated within 5 working days of the Authority granting approval under paragraph 13."	Agree to suggested change	A
6	NGET	Part B para 7a	Clarification of 'desirability of minimising system costs'		See response to comment 1. Will consider in light of consultation responses and further development of NAP contents in light of this	O
7	NGET	Part B para 7b	Definition needed for 'network unavailability'		Agree clarification is needed. Have altered wording to be clearer. Subject to consultation.	O
8	NGET	Part B para 7c	Should 'exceptional circumstances' be changed to 'exceptional events'?		Agree to suggested change	A
9	NGET	Part C Para 8	Should a standard revision procedure be adopted?		Happy to add a standard revision procedure – are all licensees content with this approach?	O

Reference number(s) & Condition name			[ETC 55] Generation connections volume driver			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject I/ Still Open (O))
1	SPTL	Page 116, para 7	The annual operational cost allowance of 1% only appears to be allowed in the first year.	Allow annual operating costs of 1% of cumulative gross value of connection works (see paragraph 6.38 of Final proposals for SPTL and SHETL).	We have changed the formula in para 7 to add a separate term for the cumulative gross value of connection works and therefore removed this from the SoleUCA formula. Welcome further discussion on whether this works.	O
2	SPTL	Para 7	Formula for SoleUCAk contains errors	Reposition brackets and replace + with * between RPI and Opex factors	On basis of above we have removed the term previously included for O&M so now just SoleUCA multiplied by the RPI factor.	A
3	SPTL	Para 8	Shared costs should also be suitably indexed for real price effects and operating costs, as for sole use costs.	Please add relevant factors	Could SPTL please provide some draft text for this amendment?	O
4	SPTL	Page 116, para 8	The annual operational cost allowance of 1% is not included.	Allow annual operating costs of 1% of cumulative gross value of connection works (see paragraph 6.38 of Final proposals for SPTL and SHETL).	Ditto	O
5	NGET		General comments: (1) drafting is not plain English; (2) "Relevant Years" should be used throughout; (3) confusion will arise from use of "Relevant Work" – better to use T-1/T-2 ETC.		Amended as suggested.	A

6	NGET	Para 11	What circumstances will render a revision by the Authority of a previous variable value necessary?		Will refer this to Regulatory Finance to consider.	O
7	NGET	Para 14	Where is 'a time value of money' defined?		Will refer to Regulatory Finance colleagues to consider.	O
8	NGET		What methodology and procedure will the authority use to achieve to take account that a revised variable value has not been revised previously?		Ditto.	O
9	NGET			Various minor amendments.	Amended as suggested.	A
10	Ofgem	Part B	Removal of the reference to 'suspension' of the NAP in the light of exceptional events		This is part of the list of minimum contents of the NAP and while it should include details of exceptional circumstances where the normal practice set out in the NAP might not be delivered. The reference to suspension goes further than this. It is inconsistent with the provisions of Part C. In practice, there may be specific issues/events where a particular element of the NAP might not be delivered but the NAP itself is still in place throughout.	A

Reference number(s) & Condition name			[ETC 62] Preconstruction outputs			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SPTL	Para 17	We think that "efficiently incurred costs "is preferable to "efficient costs"	Change "efficient costs" to "efficiently incurred costs".	Agreed.	A
2	SHETL	General	This condition is much too restrictive given the maturity of SWW projects at this stage. The whole purpose of the SWW arrangement is to be able to bring forward projects at an appropriate point, particularly once need, scope, cost and deliverability is known. It is not possible to develop a table of accurate and specific pre-construction outputs with associated expenditure and delivery dates so early in the process. If this was possible, both the pre-construction outputs and SWW expenditure would have been included in the price control settlement rather than sitting alongside in the SWW arrangement.		If you've been able to request baseline funding for pre-con you should be able to provide some detail about the types of pre-con works and deliverables are expecting to complete. The current draft licence condition contains provisions to substitute pre con outputs where these are no longer economic and efficient. This should provide the TO with sufficient flexibility to adjust to the changing circumstances.	R
3	SHETL	Pg. 97 / para 11	There is no reference to the timescales for the Authority to determine the PE substitution. This is required and should give consideration to the process for PCFM Variable Values required for the financial model.		Can the licensee set out a timescale and why they would consider this to be appropriate?	O

4	NGET	Para 2	Should 'necessary development consents' be defined?		Can the licensee proposed a definition?	O
5	NGET	Para 6(b)	In what sense "relevant": should this be "economic and efficient"?		Agreed. Made amendment to reflect suggested wording.	A
6	NGET	Para 8	ditto		Ditto.	A
7	NGET			Various minor drafting suggestions.	Accepted.	A

Reference number(s) & Condition name		[GDC/GTC 71] Regulatory accounts				
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGT	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-paras (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		Noted Disagree. There is no separate GD and GT licence it is one SSpc A30. Current draft states "in each case to extent applicable", which adequately covers issue.	O R
2	NGGT	9 (e), (f) & (g)	Definitions required for Corporate Governance Statement, Directors; Report and Business Review		Disagree, already defined in para 30	R
3	NGGT		Tracked changes in NG response document		Agreed all except 30(b) where wording redrafted to be same at ETC 31	A
4	NGGT	33	Delete definitions of LNG storage business, LNG storage facilities, Supply of LNG Storage services		Agreed as in SPC 1	A
5	NGGT	33	Move definitions of LNG import or export facility to Special condition C1 of NTS licence and insert in STSPC A3		Agreed	A

6	NGGD	General	NGGD agree with the general intent of the condition, although the drafting requires further work. NGGD do not agree with moving the cross-subsidy audit requirement into this condition from its previous home in the cross-subsidy condition, where it best sits.		Reject, being consistent with all other licences	R
7	NGGD	General	References applicable to the NTS licence (particularly LNG storage) or the D licence (metering) should be omitted by the general text and specific T or D references "pasted in" to the general text in the same manner as they are at present in NTS SpC C1 and DN StSpC D11. "affiliate" and "related undertaking" are defined terms and thus should be capitalised throughout this condition. All references to "appropriate auditor" should be capitalised as this is a defined term.		Disagree. There is no separate GD and GT licence it is one SSpC A30. Current draft states "in each case to extent applicable", which adequately covers issue Agreed Agreed	R A A

8	NGGD	1	<p>Will “financial years” have the same meaning as currently provided in Standard Special Condition A3? If so, it will need to be capitalised.</p> <p>As to sub-para (a), we would suggest that a definition is included of “Regulatory Accounts”.</p> <p>As to the reference to “within the meaning of Part B”, as this does not appear to set out a meaning of that term which is complete, it would be better to insert the wording “and prepared in accordance with Part C”.</p> <p>As to sub-para (b), after “Part B” insert “below” to be consistent.</p>		<p>Yes</p> <p>Agreed</p> <p>Agreed</p> <p>Agreed</p>	A
9	NGGD	2	<p>As to sub-para (a):</p> <ul style="list-style-type: none"> - this should refer to “GDC19”. Note also, the title of GDC19 according to the table of contents is “Restriction of revenue in respect of the Distribution Network Transportation Activity: Definitions”; - we have not been provided with GDC19 and thus will need to review this condition to comment here; <p>As to sub-para (b), “metering business” should be capitalised as it is a defined term.</p> <p>As to sub-para (c), “meter reading business” should be capitalised as it is a defined term.</p>		<p>Noted</p> <p>Agreed</p> <p>Agreed</p>	<p>A</p> <p>A</p>

10	NGGD	3	The existing licence refers to the Companies Act <u>2006</u> .		Agreed	A
11	NGGD	5	See previous comment under para 1 on "financial year".		Agreed	A
12	NGGD	9	"Corporate Governance Statement", "Director's Report" and "Business Review" should be defined as they are in Standard Special Condition A30.		Define where SSPC A3? They are defined in paragraph 30 of A30	R
13	NGGD	11	<p>Insert a comma after "Accounts" on the second line.</p> <p>Insert a comma before "in respect of" on the second line.</p> <p>Insert a comma after "above" on the third line.</p> <p>Insert "that" before "shows" on the third line.</p> <p>"ultimate controller" should also be capitalised as it is a defined term in the licence.</p>		Agreed, all amended	A
14	NGGD	19	As to sub-para (c), this should refer to 19(b) rather than 20(b).		Agreed	A
15		21	Insert titles of conditions to comply with usual drafting practice.		Agreed	A
16		26	References to LNG storage should be removed (see below)		Reject	R
17		29	Please ensure capitalisation of defined terms.		OK	A

18		30	Reference to "Combined Code of Corporate Governance" should be change to "UK Corporate Governance Code". "Financial Services Authority" should be defined.		Agreed	A
19		33	As to the definition of "LNG Storage Business", "LNG Storage Facilities", "Supply of LNG Storage Services" and "LNG import or export facility", they are all defined in the NTS licence. These definitions are NTS licence specific and there is no need for these provisions to be set out in the GD licence. We suggest, as at present, the references to LNG storage etc are omitted and "pasted in" to the condition in the NTS licence only as is done at present e.g. by NTS Special Condition 1..		Only one A30 for both GT and GD, so no change required	R
20	SGN	General	For consistency with other licence conditions, paragraphs should be named 71.x.		Open – TM to advise	O
21	SGN	1.	If this condition comes into force from 1 April 2013, there is a potential break in the obligation with the first year that this condition requires us to report being 2013/14. We suspect that this is unintentional but we may need something to cover FY 2012/13.	Additional text: For the avoidance of doubt, the licensee should prepare Regulatory Accounts for the consolidated transmission business for the year commencing on or after 1 April 2012 in accordance with the licence condition in force as at 31 March 2013.	Agreed	A

22	SGN	17.	We're not clear why this paragraph is required. Is this to comply with EU Directive?		Yes	R
23	SGN	23.	We suggest that the definition of Agreed Upon Procedures may need to be modified (see alternative drafting). Also, we suggest that consideration needs to be given as to whether this definition would be acceptable to auditors.	"means procedures from time to time agreed between the Authority, the Appropriate Auditor, and the licensee for the purpose of enabling the Appropriate Auditor to review and report to the Authority on matters relating to the requirements referred to at paragraph 16 of this condition."	Agreed, but reference is to Paragraph 21	A
24	WWU	Para 16 Para 31 Para 21 (a) Para 30 (a) and (b)	Could Para 16 be built into Para 17? Why under paragraph 31 are the provisions being back-dated? In para 21 (a) What are the A6 and A46 Standard Special conditions? In Para 30 (a) & (b) There are no Statement of Directors' Responsibilities – is this correct?	Delete the word "the" where it states "or the with"	No. It is a separate requirement to satisfy the EC conditions They are not, this for the avoidance of doubt condition as to which licence condition, ie the pre RIIO one apply to the preparing 2012-13 Regulatory Accounts Inserted Such a statement is required by S 418(2) of CA2006, and which is referred to in paragraph 30(c)	A

Reference number(s) & Condition name		[ETC 71] Regulatory accounts				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET		Tracked changes in NGET response		Agreed, except definitions of corporate governance statement, directors report and business review, as the requirements are set out in Part H, para 21.	A
2	NGET	23	The "Transmission Owner Activity" is not applicable to NGET and the system operator activity is not defined. This needs to be resolved for the condition to function correctly. Suggest it would be better to use "permitted purpose activities" as defined in Condition A1.		Amended to use "permitted purpose activities" as defined in Condition A" and retained listed segmental activities	A
3	NGET	7(b)	Suggested wording not sufficiently clear and should, refer to any specific conditions which set out the reporting requirements		Agreed, inserted definition of Applicable Regulatory Framework; and clarified that regulatory accounts must be prepared on same framework as latest or concurrent statutory accounts	A
4	NGET	Para 22	The "Transmission Owner Activity" is not applicable to NGET and the system operator activity is not defined. This needs to be resolved for the condition to function correctly. Suggest it would be better to use "permitted purpose activities" as defined in Condition A1		Need to define the segments for reporting Segmental Information. Ofgem has requested NGET to suggest revised wording Comment withdrawn by NGET following discussion.	NA

5	NGET	Para 22	Transmission Owner Activity: "This does not cover NGET – see condition A1"		Ofgem has requested NGET clarify and suggest revised wording.	O
6	SHETL	Pg. 5 /para 1	If this condition comes into force from 1 April 2013, there is a potential break in the obligation with the first year that this condition requires us to report being 2013/14. We suspect that this is unintentional but we may need something to cover FY 2012/13.	Additional text: <i>For the avoidance of doubt, the licensee should prepare Regulatory Accounts for the consolidated transmission business for the year commencing on or after 1 April 2012 in accordance with the licence condition in force as at 31 March 2013.</i>	Agreed	A
7	SHETL	Pg. 8 / para. 15(a)	In light of the move to reference the relevant licence condition rather than EU Directive, it may be appropriate to reference B5: Prohibition of Cross-Subsidies here, especially as C7 and C8 don't apply to the Scottish TOs.		Agreed	A
8	SHETL	Pg. 8 / para 15(b)	We think this requirement is covered by paragraph 15(a) and therefore do not believe that a separate statement is required.		Included for clarity	R
9	SHETL	Pg. 8 / para. 17	We're not clear why this paragraph is required. Is this to comply with EU Directive?		Yes	A
10	SHETL	Pg. 10 / para. 23	We suggest that the definition of Agreed Upon Procedures may need to be modified (see alternative drafting). Also, we suggest that consideration needs to be given as to whether this definition would be acceptable to the auditors.	<i>"means procedures from time to time agreed between the Authority, the Appropriate Auditor, and the licensee for the purpose of enabling the Appropriate Auditor to review and report to the Authority on matters relating to the requirements referred to at paragraph 16 of this condition."</i>	It has been in the licence for some years and operated without any problems. As long as we require a report and not an opinion there should not be an issue. "review and" deleted as suggested.	R

Reference number(s) & Condition name			[GTC/ETC 73] NOMs Methodology			
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SPTL		No comments made			A
2	NGET		Suggested minor formatting and editing changes.		Broadly agreed and added to updated drafts of the condition.	A
3	SHETL	Para 6	This shifts the recording emphasis from that required under the NOMs methodology (in current condition) to that set out in RIGs. Without sight of the draft RIGs, we cannot comment as to whether or not this is appropriate.		We will await SHETL's response when it sees the draft RIGs in October.	O – awaiting RIGs consultation
4	SHETL	Para 8	We suggest that the wording of this paragraph be amended slightly in line with other conditions.	Suggested text: <i>"The licensee must from time to time and at least once every year review the NOMs Methodology to ensure that it facilitates the achievement of the NOMs Methodology Objectives."</i>	Accept. We have also made change to GT version of the condition.	A
5	NGET	Part B (e)	Is this needed given that there is a specific customer satisfaction incentive?		Yes – we propose to keep this to show that the NOMs methodology takes into account customer needs.	R
6	Ofgem	Interpretation section	Removed RIGs definition for this section as defined with cross reference, in the main text of the licence condition			O

7	Ofgem	Part E	Inserted extra provision for licensee to consider changes to NOMs tables as set out in ETC133 (network Replacement Outputs) when changing NOMs methodology.			O
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Reference number(s) & Condition name			[GTC/ETC/GDC 74] Regulatory instructions and guidance			
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	SPTL	General	Very difficult to comment in absence of draft RIGs.		We are consulting on draft RIGs in parallel to the licence consultation.	O
2	SHETL	General	Need sight of the supporting document to be able to comment fully.		We are consulting on draft RIGs in parallel to the licence consultation.	O
3	SHETL	General	Previous LDWGs have discussed establishing a Working Group to progress the development of the RIGs. Is there a timetable for this to happen?		A timetable for the development of the RIGs is set out in the RIGs consultation.	A
4	SHETL	General	Paragraphs are currently numbered 76.X, rather than 74.X. Presume this will be addressed as part of consolidation into existing licence format?		Numbering will be in line with existing conditions (ie A40 and B15) – 74.X will no longer be used	A
5	SHETL	Pg. 14 / para 76.4(b)	How does this sit with Data Protection requirements?		See answer to 64.	A
6	SHETL	Pg. 14 / para 76.5(a)	How does this requirement sit with the licensee's freedom to choose how it delivers its reporting obligations? Without sight of the proposed RIGs, this clause appears to unduly fetter the licensee's discretion.		We are consulting on draft RIGs in parallel to the licence consultation.	O
7	SHETL	Pg. 15 / para 76.5(c)	We are unclear what is anticipated by this paragraph.		Enables the RIGs to set future requirements for example recognising part D.	A

8	SHETL	Pg. 15 / para 76.5(h) & (i)	Without prejudice to our comments in the covering letter, we suggest that interaction with the data assurance condition needs to be considered here. These two clauses introduce the potential for conflict between the two supporting documents and we suggest that requirements in relation to audit / assurance perhaps sit more comfortably in the data assurance condition and associated guidance.		We do not agree. Data assurance is how a NWO will ensure the data is accurate. We still have the right/need to appoint an auditor or Examiner to confirm whether the data is accurate.	R
9	SHETL	Pg. 15 / para 76.5(k)	Provisions around compliance with the RIGs should be detailed in the licence condition rather than in the RIGs document. Suggest that Part E already covers compliance (albeit may require some expansion) and therefore 76.5(k) should be deleted.		DAG is not about compliance, it's about data assurance. Therefore we need something separate on compliance. A single statement (ie in licence) would not be sufficient – therefore compliance requirements should sit in the RIGs to allow for differentiation between different types of data.	R
10	SHETL	Pg. 15 / para 76.6	We suggest that the materiality of consumer impact should also be considered.	Additional text: ..."and consumer impact of the associated reporting obligation."	We do not understand how the RIGs would impact consumers other than through cost, which is already covered.	R
11	SHETL	Pg. 15 / Part C	We suggest that this section might be more accurately named Modification of the RIGs.		Disagree, it covers the issuing of new RIGs as well as the modification of existing ones.	R
12	SHETL	Pg. 15 / Part C & Pg. 16 / para 76.9(i)	Suggest there should be a minimum time between the modification being proposed and taking effect. Modifications could require significant changes to our systems and processes and it is important that we are given sufficient notice to develop these.		Disagree – we do not consider a blanket time would be appropriate. This should be discussed as part of the particular section of the RIGs development.	R

13	SHETL	Pg. 15 / Part C	The procedure for significant modifications needs to be described.		Disagree – there is no need for a separate process.	R
14	SHETL	Pg. 15 / para 76.8 & 9	We suggest that all of these modification sections should make provision for the licensees to recommend changes; the detail of how this operates could be captured in the supporting document.	Additional text: “Where the licensee identifies a potential modification to the RIGs that would better facilitate the achievement of the obligations set out in Part A in this condition, they may propose a modification to the Authority in accordance with the procedure set out in [section X] of the RIGs.”	There is nothing to stop the company doing this as part of the “representations” already allowed for in the condition. Therefore additional text not required.	R
15	SHETL	Pg. 16, para 76.9(b)	We note that the requirement for the Authority to „give reasons for its decision“ that current exists in B15: para 15(c) has been deleted. This should be included in 76.9(b).		Unnecessary – the Authority is required to have reasons for its decision in any event.	
16	SHETL	Pg. 16 / para. 76.10	We do not understand the need for this clause or what circumstance it is envisaged that this would take effect. Any new RIGs or modifications should be fully consulted on. Reference to historic discussions or consultations would not be appropriate as views and circumstances may well have changed since that time.		This is to enable the first RIGS to come into effect – since the consultations will have taken place in advance of the new licence conditions coming into force on 1 April 2013. It is not to circumvent consultation taking place. For the avoidance of doubt the initial RIGS will be subject to full consultation before they come into effect in accordance with the requirements of this condition.	R
17	SHETL	Pg. 16 / para 76.11	We propose that the text be amended slightly (changed word in bold).	“and such information has not previously been reported by the licensee, whether under the provisions of the RIGs or otherwise.”	Disagree – the issue is whether the licensee already has the data – in which case it is not a problem for it to be reported.	R

18	SHETL	Pg. 16 / para 76.14	This paragraph may be ambiguous if the RIGs are modified. We propose slightly amended wording to avoid this.	"In reporting for relevant year t, the licensee must act in accordance with the provisions of the RIGs in force as at 31 March of the year t-1."	Disagree. There is will only ever be set of RIGS in force – in the same way as the licence.	R
19	NGGT/ NGET		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.			
20	NGGT/ NGET	General	Should the licensee have the right to request the RIGs are modified?		No. NWOs have the right to ask Ofgem to exercise its right to propose a modification without the need for this to be drafted into the condition.	R
21	NGGT/ NGET	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".		Agree – have combined it with (g) rather than having a separate sub-para.	A
22	NGGT/ NGET	76.5	As to sub-para (j) - how will the obligation work in practice, can Ofgem provide an example?		Ofgem will set out why it wants the different elements of data in the RIGs.	
23	NGGT/ NGET	Part F	It does not seem appropriate to refer to Final Proposals, what if something changes afterwards?		Have amended the text to say "to enable it to administer the Special Conditions of this licence and, <u>where not referenced in the licence,</u> the Final Proposals"	A

24	NGGT/ NGET/ NGGD	76.2	Comment with respect to Final Proposals: Licence conditions should cover this – should not be any need to refer to final proposals.	The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information <u>to the Authority</u> that the Authority needs to enable it to administer the <u>Special Price Control Conditions</u> (as that terms is defined in [GTC 19] of this licence. and the Final Proposals .	No – some elements (such as the BCF) do not have financial implications and therefore do not have licence conditions. However in Final Proposals we will set out that the companies need to report annually.	R
25	NGGD	76.2	As to the reference to “Special Conditions”, we suggest that this term be replaced by “Price Control Conditions” and that a definition be provided in GDC19 that expressly sets out the relevant price control conditions.		Disagree.	
26	NGGT/ NGET/ NGGD	76.5	Added a new point (i) - This condition needs to provide for appointment as well as role of examiner.	<u>requirements as to the circumstances in which the Authority may appoint an Examiner to examine the recording of Specified Information b the licensee.</u>	See answer to 21	
27	NGGT	76.5 (j)	Question on (j) (using original numbering): This is unclear – please clarify what is intended.		See answer to 22	
28	NGET	76.5 ((k)	Question on (k) (using original numbering): How will this work in practice?		See answer to 9	
29	NGGD	76.5 ((k)	Question on (k) (using original numbering): How will the obligation work in practice, can Ofgem give an example?		See answer to 9	
30	NGGT/ NGET/ NGGD	76.9(a)(iii)		specifying the time (which must not be less than a period of 28 days from the date of the notice) within which representations <u>in response</u> to such proposals may be made; and	Agree	A

31	NGGT/ NGET/ NGGD	76.10		The requirements for the issuing of new RIGs or modification of existing RIGS set out in paragraph 76.9 may be satisfied <u>by actions taken by the Authority</u> before as well as after the coming into effect of this condition.	Agree	A
32	NGGT/ NGET/ NGGD	76.11		Added "(or level of detail)" after "and such information" in the second part of the paragraph	Have amended to use "which" instead of "and such information" – which should be clearer.	
33	NGGT/ NGET/ NGGD	76.14	Not clear what this paragraph adds – please clarify	The licensee must at all times act <u>comply with</u> in accordance with the provisions of the RIGs for the time being in force pursuant to this condition.	The paragraph is giving the RIGS the same weight as the licence.	
34	NGGT/ NGET	76.15	Insert titles of conditions to comply with usual drafting practice		Agree	
35	NGGD	76.15		(Restriction of revenue in respect of the Distribution Network Transportation Activity: Definitions)	See 34	
36	NGGT/ NGET/ NGGD	76.17		Final Proposals means the document entitled [add title of Final Proposals document] which was published on []	See 24	
37	NGGD	Consultation: Pg 99, Table 7.4	In order to improve the regulatory reporting process it would be useful if GDC 74 also encompassed the reporting required under current Licence Condition D10 (Guaranteed Standards of Performance and Licence Conditions).		Agree – should remove 6 and 7 of D10. However D10 is entitled "Quality of Service" so not sure if referring to same condition.	
38	NGGD	Consultation: Pg 109, Para 8.6	The RIGs content does not include reference to the process by which the RIGs will be updated either by Ofgem or by the NWO.			

39	NGGD	Consultation: Pg 110, Para 8.9	We believe there is an opportunity to review and classify regulatory data into: - Data that is required under legislation/regulation - Information that relates to key RIIODG1 output measures and performance (i.e. benchmarking data) - Information that may still be required but does not fall into either of the above two categories - Information that potentially is no longer required, e.g. duplicated data			
40	NGGD	Consultation: Appendix 3, Pg 129	Confirmation is required as to what reports Appendix 3 is replacing. For example, Revenue Reporting, Cost Reporting, Quality of Service, Connections Industry Review etc.			
41	NGGD	Consultation: Appendix 3, Pg 129	It would be useful for Ofgem to provide further information on how each of these potential reporting areas are going to be used by Ofgem.			
42	NGGD	Consultation: Appendix 3, Pg 129 – 130	Connections and Fuel Poor Data is set out twice (under Connections and Capex)			
43	NGGD	Consultation: Appendix 3, Pg 129	No reference is made to reporting Guaranteed Standards and Licence Standards that are non-connections related.			

44	NGGD	General	The clause numbering throughout this paragraph is incorrect, all references to 76 should be replaced with 74. All references to "affiliate" and "related undertaking" should be capitalised as these are defined terms.		See answer to 4 Agree	
45	NGGD	76.2	After "information" on the second line insert "to the Authority". Delete "and the Final Proposals". The licence conditions should cover the entire area, no need to refer to Final Proposals. As to the reference to "Special Conditions", we suggest that this term be replaced by "Price Control Conditions" and that a definition be provided in GDC19 that expressly sets out the relevant price control conditions.		Agree See 24 See 25	
46	NGGD	76.4	After "paragraph 76.3" insert a comma.			
47	NGGD	76.5	As to sub-para (g), correct typo by inserting "frequency" after "or the". As to sub-para (i), need to provide for RIGS to allow for nomination of an examiner. This should be inserted through a new subparagraph 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?		Agree See 21 See 22	

48	NGGD	76.9	As to sub-para (a)(iii), after "representations" insert "in response to".		See 30	
49	NGGD	76.10	After "satisfied" insert "by actions taken by the Authority".		See 31	
50	NGGD	76.11	After "such information" insert "(or level of detail)".		See 32	
51	NGGD	76.14	Suggest delete "act in accordance" and replace with "comply"		See 33	
52	NGGD	76.15	Drafting convention dictates that we should include title of each condition.		See 35	
53	NGGD	76.17	Definition of "Final Proposals" should be deleted as implementation of Final Proposals should be solely through licence conditions. Also insert "; and" after the definition of "Examiner".		See 24 This is not how the definitions are formatted – each is stand alone.	
54	NGGD	Supporting Document 3: General Comment	The Licence Condition does not state that the RIGs will specify which information is to be subject to publication by the Authority (See current condition A40 final para under Part E para 12.)		The licence condition does not need to give this power – Ofgem already has it.	
55	NGGD	Supporting Document 3: Pg 20, para (g)	"manner in which, or the with which" – the word "the" needs to be removed.			
56	NGN	76.17	Final proposals is defined but not used in the condition	delete	See 24	
57	SGN	Table in appendix of consultation document	We understand that this table is in draft version, however we note that currently this only contains financial reporting – it should also contain information for reports such as connections and customer service.			

58	SGN	General	Need sight of the supporting document to be able to comment fully.			
59	SGN		Previous LDWGs have discussed establishing a Working Group to progress the development of the RIGs. Is there a timetable for this to happen?			
60	SGN		Interaction with the Data Assurance condition needs to be considered fully.			
61	SGN		Paragraphs should be named 74 rather than 76.		See 4	
62	SGN		There should be a provision for licensees to propose modifications.		See 20	
63	SGN		Although not directly related to licence drafting, we need to ensure consistency of definitions where terms are used in different reports. An example is the definition of Public Reported Escapes which is reported under D9 and also in the RRP.			
64	SGN	76.4(b)	Under the Data Protection Act 1998, we are required to ensure that we do not retain personal data for longer than is necessary. For information such as complaints data this must be taken into consideration when setting the length of time for which we are required to retain information.		Eight years (ie the length of the price control) seems logical, not sure why this would cause Data Protection issues. It helps to define what is necessary (eg a legal obligation on the part of NWOs and a requirement on Ofgem so that we can ensure we set efficient controls next time around and are operating the controls properly this time round.	

65	SGN	76.5(a)	How does this requirement sit with the licensee's freedom to choose how it delivers its reporting obligations? Without sight of the proposed RIGs, this clause appears to unduly fetter the licensee's discretion.		See 6	
66	SGN	76.5(g)	Insert 'frequency' after 'or the'.	'specifying the date on which it proposes that the provisions of the document to be issues or modified should take effect, which must be a period of not less than...'	Done	
67	SGN	76.5(k)	Provisions around compliance with the RIGs should be detailed in the licence condition rather than in the RIGs document. Suggest that Part E already covers compliance and therefore 76.5(k) should be deleted.		See 9	
68	SGN	76.6	Suggest that this provision should also have regard to the impact on customers, i.e. the RIGs should not be excessive where the impact on customers is minimal.		See 10	
69	SGN	Part C	We suggest that this section might be more accurately named Modification of the RIGs.		See 11	
70	SGN	Part C	The procedure for significant modifications needs to be described.		See 12	
71	SGN	76.9(i)	Suggest there should be a minimum time between the modification being proposed and taking effect. Modifications could require significant changes to our systems and processes and it is important that we are given sufficient notice to develop these.	'considered any representations in response to the notice that are duly made and not withdrawn, and give reasons for its decision.'	See 12	

72	SGN	76.10	We do not understand the need for this clause or what circumstance it is envisaged that this would take effect. Any new RIGs or modifications should be fully consulted on. Reference to historic discussions or consultations would not be appropriate as views and circumstances may well have changed since that time.		See 16	
73	SGN	76.11	Suggest that 'collected' is changed to 'reported'.		See 17	
74	SGN	76.9(b)	We note that the requirement for the Authority to 'give reasons for its decision' that current exists in D9.13 has been deleted. This should be included in 76.9(b).		See 15	
75	SGN	76.14	This paragraph may be ambiguous if the RIGs are modified. We propose slightly amended wording to avoid this.	"In reporting for relevant year t, the licensee must act in accordance with the provisions of the RIGs in force as 31 March of the year t-1."	See 18	
76	WWU	General	This condition appears to combine the E20 and D19 and A40 RIGs processes. In so doing, it appears to change the balance of precedence between of the Licence and the RIGs. Under this condition the RIGs in effect define the Licence rather than the other way around. In particular, any reference to materiality has been removed leaving that to be set out in the RIGs. This has been commented on previously by WWU in the working groups but rejected by Ofgem.		The condition sets out the framework for setting the RIGs and their legal force. The RIGS set out the substance. There is no reversal of precedence.	

77	GRG	General	What is the legal framework for the reporting of the last year of the previous price controls in the first year of RIIO-T1 and GD1, when the new RIGs are in place?		Added a new paragraph (8) to clarify that 2012/13 data should be reported according to the reporting requirements in force at that time	A
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Reference number(s) & Condition name			[GTC/ETC/GDC 76] Data Assurance requirements			
No.	Comment from	Page/P ara. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET NGGD	76.2(a)		Remove "issued by the Authority"	Changed to reflect comment.	A
2	NGET NGGT NGGD	76.3(a)		After "the DAG" Insert ",being the document having the scope and contents set out in Part C of this condition,"	The DAG will be defined in the Part G.	R
3	NGET NGGT NGGD	76.3(b)		Insert at beginning "subject to paragraph 76.4" and remove "to the authority" as the definition already implies provision to the Authority.	Changed to reflect comment.	A
4	NGET NGGT NGGD	76.3(e)(i) and (ii)		Change "activities" to "Activities"	Changed to reflect comment.	A
5	NGET NGGT NGGD	76.4		Change "completeness" to "reliability". This should refer to "accuracy and reliability" to track the wording of para 74.5(b) of the RIGS condition.	Changed to reflect comment.	A
6	NGET NGGT NGGD	76.7(b)		After representations add "or objections"	Changed to reflect comment.	A
7	NGET NGGD	76.8		Remove paragraph as now defined above in 76.3(a)	Keep as it also states that it can be modified by the Authority.	R
8	NGET	76.10		Replace "76.11 and 76.12" with "76.12 and 76.13"	Changed to reflect comment.	A
9	NGET NGGT NGGD	76.10(f)		Replace " Data Assurance programme" with "Data Assurance Activities"	Changed to reflect comment.	A

10	NGET NGGT NGGD	76.13		<p>Change " No information to be provided to the Authority under or pursuant to the requirements of the DAG may exceed what could be requested from the licensee by the Authority pursuant to [condition SLC 24 of the gas [transmission/distribution] licence/ standard conditions B4 of the electricity transmission licence]" to "No information to be provided to the Authority under or pursuant to the requirements of the DAG may exceed what could be requested from the licensee by the Authority pursuant to standard condition B4 (Provision of Information to the Authority)."</p> <p>Convention dictates the inclusion of titles when referring to conditions.</p> <p>As to the reference to Standard Licence Condition 24, this needs to be replaced by a reference to Standard Special Condition A26 as SLC24 is switched off in the NTS and DN licences.</p>	Agreed: will change in final version when titles and numbering is stable.	O
11	NGET NGGT NGGD	76.17		Change "76.15" to "76.16"	Changed to reflect comment.	A
12	NGET NGGT NGGD	76.19		Please punctuate the definitions as a list i.e. through the inclusion of semi-colons.	Checking all other licence conditions to ensure consistent structure.	O

13	NGET NGGT NGGD	76.12	How will “the impact on consumers of the potential errors” be assessed? Is it part of the risk assessment?		This will be addressed through the risk assessment. A common risk assessment framework will be developed during the trial period and the DAG will detail the framework.	A
14	NGGT	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?		There may be a misunderstanding the role of the trial. We <i>are</i> retaining the existing data assurance/compliance requirements and the trial is essentially a working group that develops the contents of the DAG including: The trial does not hold the licensee to two different data assurance requirements (ie those in the trial and those under the licence as it currently stands). The trial is there to develop the processes only. The licence condition will now reflect the fact that the DAG can only be introduced following a full licence modification process.	R
15	NGGT	76.3(c)		Remove “its best endeavours” to “reasonable endeavours”	Disagree. We consider that, given the revenue implications of inaccurate reporting that this should be a best endeavours obligation.	O
16	NGGT	76.3(d)		Change “authority” to “Authority”	Changed to reflect comment.	A
17	NGGT	76.3(e)(ii) and (iii)		Change “year” to “Formula Year”	Changed to reflect comment.	O

18	NGGT	76.3(e)(iv)	Is it necessary to specify internal as some services may be procured externally?		This has now been changed to "Data Assurance Activities" rather than audit so the internal/external issue is removed.	A
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19	SHETL		<p>We recognise that RIIO introduces a different approach to reporting and monitoring by both the licensees and the Authority. The proposal to introduce a risk-based approach to compliance with our licence obligations is one that we fully support.</p> <p>However, we do not believe that a clear policy position has been provided in this area to support the proposed licence modification and the work undertaken to date has focussed almost exclusively on electricity distribution, with no date yet proposed for the establishment of a Working Group to consider the requirements of Transmission or Gas Distribution. Consequently, we do not believe it is appropriate to introduce a new licence condition when the underpinning policy is so immature, especially as to date there has been no consultation or impact assessment published considering the underlying policy. To proceed without such due process has a significant impact on regulatory certainty. We trust that Ofgem will recognise the cause for concern and are committed to working with Ofgem to develop the policy and associated documentation to allow a future modification of our licence to give effect to the outcome of this workstream.</p>		<p>To provide greater clarity on the policy driving this condition was set out by Ofgem at the licence drafting working group on 22 May 2012. It was explained that the overarching policy is not new (ie to reduce the risk, and subsequent impact of, inaccurate reporting and misreporting on all stakeholders - customers, Ofgem, licensees etc) but that this condition reflects the changes to be made under RIIO to ensure compliance with this policy direction. Meetings were held in September 2011, 25 April 2012 and 14 June 2012.</p> <p>To alleviate the concerns we have, however, decided to continue with completing the high level the licence condition as originally planned alongside all other RIIO conditions (although it will not be switched on until after the trial) and to introduce the DAG via a formal licence modification process to alleviate the concerns of the licensees that they are signing up to the DAG two years in advance.</p>	R
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20	SHETL	General	<p>We note that this condition is currently intended to be introduced in April 2013 but will only come into force in 2015, after significant work by Ofgem and the licensees. We strongly urge Ofgem to consider delaying this modification until closer to the date that it is expected to come into force and to establish an open and transparent workstream to develop this area of activity, across all network classes.</p> <p>We strongly oppose the introduction of new licence conditions, even if they are not immediately in force, where the underpinning policy position is immature or incomplete. This approach has a significant impact on regulatory certainty and should be properly considered.</p> <p>Comments provided in relation to this condition are without prejudice to this overarching principle.</p>		See comment 19 above.	A
21	SHETL SGN	General	<p>Previous LDWGs have discussed establishing a Working Group to progress the development of this condition and the associated Data Assurance Guidance (DAG). Is there a timetable for this to happen?</p>		The Working Group to develop the associated DAG will begin in January/February 2013. A firm timetable will be drafted in the coming weeks.	O
22	SHETL SGN	General	<p>Need sight of the supporting document to be able to comment fully.</p>		See comment 19 above.	A

23	SHETL SGN	76.1	We strongly believe that the impacts of inaccurate or incomplete reporting vary dependent on the matter being reported and the consequential implications for consumers. We therefore recommend that this paragraph refers to the "subsequent consequences ".		Amended to read "subsequent impact and consequences".	A
24	SHETL SGN	76.3(b)	This paragraph needs to be broadened to reflect provisions within RIGs condition (76.11 – 76.13) for the reporting of new classes of information.	Additional text proposed: <i>"... provide accurate and complete Data, unless otherwise provided for in this licence, the Regulatory Instructions and Guidance or other direction or guidance issued by the Authority."</i>	No change required: 76.4 , which provides" Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition" covers this.	O
25	SHETL SGN	76.4	Should this paragraph also cross reference the RIGs condition?		See comment 24 above.	O
26	SHETL SGN	76.9	Sub-paragraphs duplicate 76.3. Alternative wording suggested.	Alternative wording: <i>"The purposes of the DAG are to establish a process under which the licensee must comply with its obligations as set out in paragraph 76.3."</i>	Changed to reflect comment.	A
27	SHETL SGN	76.14 & 15	We suggest that all of these modification sections should make provision for the licensees to recommend changes; the detail of how this operates could be captured in the supporting document.	Additional text: <i>"Where the licensee identifies a potential modification to the DAG that would better facilitate the achievement of the obligations set out in Part A in this condition, they may propose a modification to the Authority in accordance with the procedure set out in [section X] of the DAG."</i>	Disagree. Licensees can recommend to the Authority that the DAG is modified without the need for specific drafting to that effect.	O

28	SHETL SGN	76.19	We suggest the definition of Risk Assessment be amended slightly.	Suggested wording: <i>"means an assessment of the likelihood and potential impact on customers, network users and end consumers of any inaccurate or incomplete reporting, or any misreporting, of Data by the licensee to the Authority under this licence."</i>	Both the "likelihood" and "impact" elements of the risk assessment will be developed through the trial to ensure a common risk assessment. We would rather keep the definition at a high level at this stage.	R
29	SPTL	76.19	The term "Data" is not helpful as some in-scope submissions will be narrative in nature rather than quantitative. We suggest term "Relevant Submissions" instead. We look forward to the draft DAG being available and in particular to an indication of submissions that will be in-scope for the specified risk assessment referred to in this condition.	Replace "Data" by "Relevant Submissions"	There is nothing in the definition of "Data" that suggests only quantitative and not qualitative data. However, we recognise the concern and have amended the definition of data as follows: "means the relevant submissions to the Authority under this licence in respect of which the licensee must carry out a Risk Assessment, as specified in the DAG." The DAG will be developed through the trial.	A
30	SPTL	76.19	Term 'Internal Assurance Function' is confusing, as definition refers to governance and control activities, not to organisational unit. We think alternative term such as Assurance Review Procedures would be more appropriate. Also, this definition appears to go well beyond issues relating to provision of data to the Authority. It should be more focussed on the purpose of the condition.	Replace by "Assurance Review Procedures means the licensee's arrangements for assuring that its risk management, governance and internal control processes in relation to provision of Relevant Submissions to the Authority are operating effectively."	This term has been removed.	A

31	NGGD	General	NGGD are concerned that there is no real restriction on the definition of data when the thrust seems to be accurate reporting of data which has a price control implication, such as length of abandoned mains. NGGD should like to see the definition of data restricted to that used in the calculation of maximum allowed revenues.		Data is wider than those used to calculate revenues. However, what is included or excluded in the condition will be decided through the trial period so licensees will have the opportunity to inform what is included and excluded. For further reassurance the DAG will only be introduced following a formal licence modification process.	R
32	NGGD	General	We will need to review a copy of the DAG in order to fully understand this condition and in particular, what will be the relevant Data and what will be the requirements of the "Risk Assessment" and "Internal Audit Function", we can then agree to this condition		See comment 19 above.	R
33	NGGD	76.3(c)	Suggest that this obligation be weakened by instead providing a "reasonable endeavours" obligation as opposed to a "best endeavours" obligation.		Disagree. See comment 15 above.	O
34	NGGD	Supporting Document 3: Pg 23, Part A(d), 76.3	The Licence Condition does not make it clear what the definition of an "independent review" is; and also that "Internal audit functions" assumes that this only relates to regulatory reports.		The "independent review" will be defined during the trial and set out in the DAG. "Internal audit functions" is a term that is now removed.	A

35	NGGD	Consultation: Pg 101, Para 7.33	National Grid are in support of the proposed trial period but further thought needs to be given to the process to ensure that Networks are not subject to duplicate efforts and the trial is applicable to only that data that is required under the RIIO period.		See comment 14 above.	A
36	NGN	76.3 (b)	This imposes an absolute obligation on the licensee with no reference to what is reasonably practical nor linked to the standards of accuracy either defined in the RIGs or what would be deemed reasonable in the circumstances. In principle any minor error would therefore put the licensee in breach.	Add to the end of this “in accordance with any guidance provided by the Authority in relation to the standards of accuracy or completeness defined in the RIGs or elsewhere in the licence. Where such guidance does not exist then in determining whether the data is accurate and complete the Authority will take into consideration the purpose for which the data is collected, whether the data is used to calculate Maximum Distribution Network Transportation Activity Revenue as defined in condition GDC20 and what is reasonably practical for the licensee to deliver.”	See comment 24 above.	O
37	WWU	76.1	No level of materiality over data – ‘any inaccurate or incomplete’ ‘any misreporting’	‘any material inaccurate’ ‘any material misreporting’	The level of materiality is as defined in the relevant licence conditions. See paragraph 76.4.	

38	WWU	76.3 (a)	What does the DAG contain?, we are yet to see and agree the detail		We will continue with completing the high level the licence condition as originally planned alongside all other R110 conditions (although it will not be switched on until after the trial). However, the DAG will only be introduced following a formal licence modification process to alleviate the concerns of the licensees that they are signing up to the DAG two years in advance. Therefore, licensees will not be agreeing to the detail now.	A
39	WWU	76.3 (d)	Appears that we can be 'directed by the authority, [to] procure an independent review...' There are no conditions/circumstances stated under which the Authority might chose to do this.		This will be detailed in the DAG.	R
40	WWU	76.3 (e)	The provision of internal reports is not an issue, however, we would need permission to provide those of third parties and would be required to sign 'hold harmless' letters of indemnity.		This will be agreed through the trial and then detailed in the DAG.	A

41	WWU	76.8	DAG may be changed by the Authority at any time – whilst this is no different to RIGS that are changed from time to time, because of this licence condition, the changes could result in onerous costs in compliance, especially where the DAG requires the procuring of a review.		Ofgem do not necessarily believe that data assurance measures or changes to the DAG will increase costs. There has always been a requirement on licensees to ensure that data submitted to Ofgem is accurate and this has always had cost implications. Data assurance and compliance is not new and this should have been accounted for in the well justified business plans.	R
42	WWU	76.10	The Authority is looking to obtain the ability to force licensees to audit whatever it chooses at intervals that it chooses. This clause allows the Authority to amend the requirements of the licence condition through the DAG. This is a concern.		The Authority is looking to obtain the reasonable power to ask the licensee to procure a review of its data assurance activities where the licensee has consistently submitted data that is inaccurate, incomplete or late or where the licensee has made an error that has had a significant impact. We would expect that the licensee would support such a review as they too would like to understand where the issues lie.	R
43	WWU	76.16 & 76.17	Authority ability to direct audits and the timescales thereon, which we know from experience, are short. Same issues with third party reports if we are forced to procure the audit (76.3 (e))		Need clarification on this comment.	O

Reference number(s) & Condition name			[GDC 83] Distributed Gas: Connections Guide and Information Strategy			
No.	Comment from	Page/P ara. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGD	General	One key area that seems to have been omitted is any requirement to consult with our customers on the form and/or content of the connection guide.	In order to address this point, a requirement could be placed on licensees to review the document with customers on an annual basis and demonstrate how their feedback has been reflected in any revision.	This process is implicit in general stakeholder engagement. Customer interaction would form part of the Ofgem approval process.	R
2	NGGD	General	Timescales need to be consistent and reasonable, so we request symmetry between the timescales for the connection guide and the information strategy.		We do not think it is necessary to have the same timescale for both the guide and the strategy since they require different levels of input. There is sufficient scope in the condition to allow additional time for the strategy, which could be set out in the direction.	R

3	NGGD	General	<p>We consider that 3 months to produce both documents is achievable, working on our own, but that as we will have obligations to coordinate with other licensees, additional time should be allowed. This is because in order to encourage investment in this area we need strong clear, quality communications.</p> <p>This is likely to be more of an issue first time round, so if the drafting set 3 months as a minimum, but had the actual time to be defined in the direction, that would give appropriate flexibility. Ofgem could then use the Notice period to gather views on appropriate timescales which they could then include in the final direction.</p>		<p>It is only after the direction is issued that the time period would begin. We would expect GDNs to be working on the information required in the guide prior to the direction and believe that 3 months will be adequate for the more formalised processes.</p> <p>The issues will be raised at the existing Distributed Gas Working Group level in the interim.</p>	R
4	NGGD	General	<p>The conditions should be clear on timescales that are within our control, and should therefore relate to timescales to submit the connection guide or DGIS to Ofgem for approval, and set out the timescales for which Ofgem will approve (or not veto) the documents. The drafting is currently unclear on this at present and different for the guide and the strategy documents. Timescales would also need to be reviewed if there were new obligatory consultation steps.</p>		<p>The concerns are noted. The relevant direction or approval will set out more definite timescales based on prevailing developments. Without sufficient experience currently it would be short sighted to be overly prescriptive within the licence condition itself. Similarly, the Ofgem approval will take place within a 'reasonable' period. This may or may not require a formal consultation process which will only be determined in due course.</p>	R

5	NGGD	P29/para 83(b)	Why introduce the term "Gas DN Operators" at this point? "Licensees" is used elsewhere.	"... typically operated by licensees in respect of such connections"	Agree	A
6	NGGD	P30/para 83(b) following	Ofgem need to define the process by which the Authority approves / does not veto the revised Guide. We would prefer the non-veto option	Add a new sub-paragraph 83.4A "Where the licensees revise the Guide and submit it to the Authority and the Authority does not veto the revisions within [28] days it shall be deemed to have approved the revised Guide."	We do not agree. As described above we do not want to be too prescriptive within the licence until the level of detail / approval process has become clearer. The process may require various iterations before Ofgem can approve, and may require a formal stakeholder consultation process. Ofgem will approve (or not) within a 'reasonable period'. We do not agree with the non veto option for reasons stated above.	R
7	NGGD	83.1	As to sub-para (a): - delete "available to the public" and replace with "publically available". - insert a comma after "Network" on line 5.		Not sure that these changes make any material difference – the current working and grammar is not incorrect.	R

8	NGGD	83.2	<p>After “must” on the second line insert “use its best endeavours to”. This is because an absolute obligation is not appropriate as it would make compliance dependent on others.</p> <p>Delete “such other licensees as are also subject to a direction under this condition (“relevant licensees”)” and replace with “other DN Operators”. This is because the licensees in question are DN Operators and therefore the defined term should be used.</p> <p>As to sub-para (a), delete “for the purposes of this condition” and replace with “made by the Authority under this paragraph”.</p>		<p>Since the guide is a ‘collective’ document compliance it is dependent on all parties. If ‘best endeavours’ are unsuccessful there will be no guide.</p> <p>This point is not consistent with the one accepted above. We believe ‘licensees’ (as in current wording) is suitable.</p> <p>For sub para (a) we do not see the need for a change of wording since both seem equally suitable and unnecessary changes could lead to further objections.</p>	R
9	NGGD	83.3	<p>As to sub-para (b), delete the reference to “Gas” as this is not needed having regard to the definition of “DN Operators”.</p> <p>As to sub-para (c), what does this mean? Should it be, “details of the arrangements and opportunities that a person seeking connection may have for obtaining particular services from competing services providers”?</p> <p>As to sub-para (d), delete “injection,” and insert after “connections”, “and the injection of gas into the pipe-line systems of DN Operators”.</p>		<p>(b) Already changed as per item 5 above.</p> <p>(c) this refers to the arrangements and opportunities available for third parties to be part of the process. The current wording seems to cover this.</p> <p>(d) propose adding injection ‘of gas’ into current wording.</p>	R/A

19	NGGD	83.4	<p>As to the reference to “relevant licensees”, having regard to comment under para 83.2, this should be “other DN Operators”.</p> <p>As to sub-para (b):</p> <ul style="list-style-type: none"> - insert commas after “and” on the first line and “appropriate” on the second line; - the full reference to the “Guide” should be inserted as it has not been abbreviated. 		<p>Comment counter to that of item 5 above.</p> <p>(b) commas are a matter of style and not required.</p> <p>Full reference inserted</p>	R/A
11	NGGD	83.5	Delete “all existing and potential users of its Distribution Network” as this is unclear: replace with “both parties whose facilities are connected to the pipe-line system to which this licence relates and parties who may potentially seek to connect their facilities to the pipe-line system to which this licence relates”.		The current wording seems to cover necessary parties, while the proposed wording could be construed as being too narrowly definitive.	R
12	NGGD	83.6	<p>Delete “In particular” and capitalise “the”.</p> <p>As to the reference to “users”, is this the right terminology? Users are shippers; a connecting party will not use the network. Suggest delete “all such users” and insert “the parties referred to in paragraph 83.5”.</p>		<p>Accepted</p> <p>The parties referred to in 83.5 are “all existing and potential users” so “such users” seems right in this context.</p>	A/R
13	NGGD	83.7	This period seems very short		The time period is ‘not less than’ so could be extended through the direction if deemed necessary after engagement with stakeholders.	R

14	NGGD	P30/para 83.8	Ofgem should commit to providing a reasonable period for implementation of the strategy, following their approval of it.	Add to the end of the sub-paragraph 83.8 "... provided that the date allows a reasonable period for implementation after such approval"	A reasonable implementation period could be covered in the Authority's approval. Putting it in the licence opens up the debate on what is reasonable in different circumstances and opinions, which can be handled outside of the licence	
15	NGGD	83.9	Delete "a year" and replace with "in each Formula Year".		Agree	A
16	NGGD	83.10	"Information Strategy" should better set out in full as that term has not been abbreviated. "Approval" should not be capitalised. After "period" insert "of time".		Agree Agree Not considered necessary.	A
17	NGGD	P30/para 83.10	We also need to define the process by which the Authority approves / does not veto the revised Information Strategy. We would prefer the non-veto option	Revise 83.10 as follows "Where the licensee revises the Information Strategy and submits it to the Authority and the Authority does not veto the revisions within [28] days it shall be deemed to have approved the revised Information Strategy."	Disagree – see comments above (points 4 – 6)	R
18	NGGD	83.11	General point that all references to "Notice" should not be capitalised in these conditions.		Need to check consistency with other licence conditions. NO objection to changing	O
19	NGGD	83.13	Suggest deletion of this paragraph.		Agree	A
20	NGGD	P31/para 83.13	Delete this sub-paragraph as it adds nothing (as noted by Ofgem).	Deleted	Agree	A
21	NGGD	83.14	Note again the abbreviation in the title of "Guide" and "Strategy". These should be set out in full as the abbreviated term not defined above.		Agree	A

22	WWU	83.1	Why do we need a purpose section as they are not found in other conditions. This point was not raised in distributed gas workgroup discussions but would be consistent with other licence drafting.	Delete 83.1 in its entirety	This contextualises the purpose of the rest of the condition. We would be hesitant to delete	O
23	WWU	83.8	Ofgem has no timetable to approve	Either give them a timetable such as with 4B (6) which is 28 days or (2 nd preference) say that approval shall not be unreasonably delayed or use wording in 83.10 "and the Authority must respond in a reasonable period"	See previous comments above	R
24	WWU	83.6	See response to 83.1 above	Delete 83.13 in its entirety	Agree	A
25	WWU	Gen	This appears to create a hugely increased ten-year statement type of document. The provisions relating to the legal framework ought to be unnecessary on the basis that commercial organisations in particular should have their own legal advice on such matters. The provisions relating to engineering and technical matters appear greatly over-detailed and inflexible.		Many smaller organisations will not have access to all information on the legal environment specifically. We disagree that the engineering and technical matters are over detailed and inflexible. The 'reasonable' level of detail will be determined collectively.	R
26	SGN	General and 83.3	Whilst there is certainly some useful information that we can provide, it is important to recognise that the Distributed Gas industry is still in the very early stages. It will therefore be difficult to provide detailed explanations on some aspects, particularly where industry is still discussing the best way forward.		We recognise the early stages of this industry, which is why the Guide and Strategy will in all likelihood be revised annually, at least in the early years, as more information and experience becomes available.	A

Reference number(s) & Condition name		[GTC 121] Entry and Exit capacity methodologies and statements				
No.	Comment from	Page/Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	(Accept (A)/Reject (R)/ Open (O)

1	NGGT	General	<p>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.</p> <p>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'.</p>		<p>It is appropriate for Ofgem to seek assurance that the methodology statements that NGGT produce are robust and fit for purpose and that they align with the UNC and all other obligations required of NGGT.</p> <p>We also believe that audits of methodology statements should produce a statement from an independent examiner which in its opinion explains its main findings and also provides an overview of the work undertaken by the independent examiners to support their opinion. The requirement for an audit is not a new obligation and the purpose of the new licence text is to provide consistency across the methodology statements.</p> <p>Revised wording: "Unless the Authority otherwise consents in writing, the methodologies and capacity methodology statements shall be accompanied by a statement from an independent examiner, confirming that they have carried out an examination, the scope and objectives of which shall have been established by the licensee and approved by the Authority and giving an opinion as to the extent to which the licensee has developed a methodology that is consistent with its duties under the Act and obligations under the licence."</p>	0
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2	Ofgem	121.3 (b)	n/a	n/a	Removal of: obligations under Replaced with: duties under the Act and
3	Ofgem	121.5	n/a	n/a	Removal of: licensee shall use reasonable endeavours to ensure that the
4	NGGT	121.5 (b)	n/a	Separation of entry capacity substitution and exit capacity substitution.	Agreed
5	Ofgem	121.5 (d)	n/a	n/a	Removal of: (but not limited to)
6	NGGT	121.6	n/a	NGGT suggest that methodology statements should be reviewed every 2 years.	No objection, this has been highlighted in the consultation document in order to understand stakeholder's views.
7	Ofgem	121.7	n/a	n/a	New obligation for all statements to be subject to an audit.
8	Ofgem	121.9 (a)	n/a	n/a	Removal of: 28 days Replaced with: 2 months
9	Ofgem	121.9 (b)	n/a	n/a	Removal of: 28 days Replaced with: 2 months
10	Ofgem	121.1 Part E	n/a	n/a	Concern that all 5 methodology statements will be consulted upon at the same time. This has been highlighted in the consultation document in order to understand stakeholder's views.

Reference number(s) & Condition name			[ETC 122] Allowed expenditure for underground cabling and volume driver [NGET only]			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET		What level of accuracy needed for cable?	NGET suggest reporting to the nearest 100 metres based on the installed route length in two dimensions. Any greater requirement for accuracy would run into problems with individual phases potentially being slightly different lengths. Any lesser requirement for accuracy (eg nearest km) would make the impact of rounding too material in terms of £m.		A
2	NGET		As per above, length needs to be defined.			A
3	NGET		Suggest modifying condition so that NGET report forecast or actual overhead line volumes for the full RIIO-T1 period in each year. This allows us to include a forecast of volumes in the future (when consent is granted, say) and also allows this volume to be corrected with actual data when the project is completed.	NGET to provide draft algebra on their proposal in response to 2 nd informal licence consultation.		O

Reference number(s) & Condition name		[ETC 123] Volume Driver for Demand Related Infrastructure [NGET only]				
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGET		What level of accuracy is needed for cable?	NGET suggest reporting to the nearest 100 metres based on the installed route length in two dimensions. Any greater requirement for accuracy would run into problems with individual phases potentially being slightly different lengths. Any lesser requirement for accuracy (eg nearest km) would make the impact of rounding too material in terms of £m.		A
2	NGET		What level of accuracy is needed for overhead line?	NGET suggest reporting to the nearest whole kilometre based on the installed route length in two dimensions. Any greater requirement for accuracy would run into problems with individual circuits potentially being different lengths. Any lesser requirement for accuracy would make the impact of rounding too material in terms of £m.		A

Reference number(s) & Condition name			[GTC 126] Methodology to determine the release of NTS Entry Capacity and NTS Exit Capacity volumes			
No.	Comment from	Page/P ara. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	NGGT	126.1	Additional text suggested	"release entry and exit capacity in accordance with the capacity release methodology statement;" and	Agree and accepted.	A
2	NGGT	126.3	Why is the date 2014 and not 2013?	NGGT observation, no alternative suggestion provided.	Agree; it has been amended. "The licensee shall, within 30 days of the date that this licence condition takes effect, or such later date as the Authority may direct, and thereafter before 1 April in each subsequent Formula Year (or such later date in each Formula Year as the Authority may direct) prepare and submit for approval by the Authority ..."	A
3	Ofgem	126.3	n/a	n/a	Addition: Requirement that the capacity release methodology statement is in line with relevant licence obligations and Acts.	O
4	NGGT	126.4	What is envisaged by a "non confidential version" of the statement?	NGGT observation, no alternative suggestion provided.	Agree; this statement has been removed. Addition: Clarification that all revisions of the statements should be made available.	A

5	Ofgem	126.5	n/a	n/a	<p>In line with the approach in GTC 121 and 134, we believe that methodology statements should be reviewed every 2 years</p> <p>This has been highlighted in the consultation document in order to understand stakeholder's views.</p>	A
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6	NGGT	126.6	As in previous communications, auditors will not give an opinion on this, needs to be agreed upon procedures	<p>Removal of: confirming that they have carried out an audit, the scope and objectives of which shall have been established by the licensee and approved by the Authority and giving an opinion the extent to which the licensee has developed a methodology ...</p> <p>Replaced with: confirming that they have carried out the [Agreed Upon Procedures], the scope and objectives of which shall have been established by the licensee and approved by the Authority, and commenting on the extent to which the licensee has developed a methodology ...</p>	<p>It is appropriate for Ofgem to seek assurance that the methodology statements that NGGT produce are robust and fit for purpose and that they align with the UNC and all other obligations required of NGGT.</p> <p>We also believe that audits of methodology statements should produce a statement from an independent examiner which in its opinion explains its main findings and also provides an overview of the work undertaken by the independent examiners to support their opinion. The requirement for an audit is not a new obligation and the purpose of the new licence text is to provide consistency across the methodology statements.</p> <p>Revised wording: "Unless the Authority otherwise consents in writing, the capacity release methodology statements shall be accompanied by a statement from an independent examiner, confirming that they have carried out an examination, the scope and objectives of which shall have been established by the licensee and approved by the Authority and giving an opinion as to the extent to which the licensee has developed a methodology that is consistent with its duties under the Act and obligations under the licence."</p>	O
7	NGGT	126.7 126.8	Clarification of references	Various	Agree and accepted.	A

8	NGGT	Part E	These definitions could be included within GTC19.		Agree and accepted.	O
9	NGGT	Part E	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.	Agreed Upon Procedures: means the schedule of procedures as agreed with the Authority as set out in Appendix [#];	See comment on reference 5	O
10	NGGT	Part E	Revision of Independent Auditor	Removal of: the licensee's auditor Replaced with: an Appropriate Auditor	Revised definition "Independent Examiner" means a person or persons nominated by and independent of the licensee with the skills and knowledge to undertake an examination.	O
11	Ofgem	General	n/a	n/a	Amend statement to statements. Obligations upon NGGT remain the same but allow NGGT the choice of producing a combined entry/exit capacity release methodology statement or individual ones.	O

Reference number(s) & Condition name			[GTC 134] Methodology to determine revenue drivers			
No.	Comment from	Page/ Para. Ref	Comments from Licence Consultation	Suggested alternative drafting from Licence Consultation	Ofgem Response	Issue Closed? (Accept (A)/Reject (R)/ Still Open (O))
1	Ofgem	134.2	n/a	n/a	Inclusion that GTC134 should be in place 30 days after condition goes live and by [1 April] each year.	
2	Ofgem	134.3	n/a	n/a	Ensure that all versions of the methodology statements are published so that the historical docs are easily accessible as per current obligation for other MS'.	
3	Ofgem	134.4	n/a	n/a	Obligation on NGGT for annual review of generic revenue driver methodology. In line with the approach in GTC 121 and 126, we believe that methodology statements should be reviewed every 2 years This has been highlighted in the consultation document in order to understand stakeholder's views.	
4	Ofgem	134.5	n/a	n/a	It is appropriate for Ofgem to seek assurance that the methodology statements that NGGT produce are robust and fit for purpose and that they align with the UNC and all other obligations required of NGGT.	

5	Ofgem	134.6(c)	n/a	n/a	The methodology statement must be provided to Ofgem 14 days after close of consultation, this is consistent with NGG's obligations to submit other methodology statements.	
6	Ofgem	General	n/a	n/a	Amend statement to statements. Obligations upon NGG remain the same but allow NGG the choice of producing a combined entry/exit revenue driver methodology statement or individual ones.	