

Schedule 1 – Modifications to the Standard Special Conditions in Part A of the gas transporter licence

Note for readers - anything in square brackets is an explanation and not part of the licence condition.

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Standard Special Condition A3. Definitions and Interpretation

[The following definitions are to be amended and/or added to this condition, in alphabetical order and in the manner set out below. For clarity, current definitions that are not being amended are not included below.]

“ appropriate auditors”

means:

(a) in the case of a licensee which is a company within the meaning of section ~~1735~~ of the Companies Act ~~2006~~~~1985~~, a person appointed as auditor under Chapter 2 of Part 16 of ~~that the Companies Act 2006~~;

(b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and

(c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006, or in relation to auditors appointed for financial years beginning before 6 April 2008, a person who is eligible for appointment as a company auditor under sections 25 and 26 of the Companies Act 1989;

“distribution network”

means a gas distribution network as defined with reference to the aggregate of its constituent local distribution zones (as defined in the

Uniform Network Code (“LDZs”)) in accordance with the table set out below:

<u>Distribution Network</u>	<u>LDZ</u>
<u>East of England</u>	<u>East Midlands, Eastern</u>
<u>London</u>	<u>North Thames</u>
<u>North West</u>	<u>North West</u>
<u>West Midlands</u>	<u>West Midlands</u>
<u>Northern</u>	<u>Northern, North East</u>
<u>Scotland</u>	<u>Scotland</u>
<u>Southern</u>	<u>South East, Southern</u>
<u>Wales and West</u>	<u>Wales North, Wales South, South West</u>

“financial year”

means, subject to Standard Special Condition ~~A29 (Change of Financial Year)~~A30 (Regulatory Accounts) (where applicable), a period of 12 months beginning on 1st April of each year and ending on 31st March of the following calendar year;

~~“first supplier”~~

~~for the purposes of Standard Special Condition 50 (System Development Obligations) only, has the meaning given in that condition;~~

“holding company”

means a holding company within the meaning of section 1159 of the Companies Act 2006~~sections 736, 736A and 736B of the Companies Act 1985;~~

“permitted purpose”

~~for the purposes of Standard Special Conditions A36 (Restriction on Activity and Financial Ring Fencing)~~

~~and A39 (Indebtedness) only, has the meaning given in Standard Special Condition A32 (Definition of Permitted Purpose);~~

means the purpose of all or any of the following:

- (a) the transportation business;
- (b) the metering business;
- (c) the meter reading business;
- (d) any other business or activity within the limits of paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing); and/or

without prejudice to the generality of paragraphs (a) to (d), any payment or transaction lawfully made or undertaken by the licensee for a purpose within sub-paragraphs 1(b)(i) to (vii) of Standard Special Condition A39 (Indebtedness);

“subsidiary”

means a subsidiary within the meaning of sections ~~736, 736A and 736B~~ of the Companies Act 1985 1159 of the Companies Act 2006;

“tariff capped metering activities”

~~in respect of an NTS operator, shall have the meaning given to that term in Special Condition C12 (Restriction of prices in respect of tariff capped metering activities) or~~ in respect of a DN operator, shall have the meaning

“transportation arrangements”

given to that term in Special Condition ~~E194D~~ (Restriction of prices in respect of tariff capped metering activities).

means arrangements (including sub-deduct arrangements defined in paragraph 2 of this condition) whereby gas shippers and relevant gas transporters (insofar as their licences permit) may, from time to time and in different cases and circumstances, have gas introduced into, conveyed by means of and taken out of the pipe-line system to which this licence relates and arrangements falling within the preceding provisions of this definition shall be transportation arrangements notwithstanding that they may involve the utilisation of:—

(a) facilities for the storage of gas in so far as the licensee uses them in connection with its independent systems, including such facilities so used for the purpose of conveying gas to such a system; or

(b) storage facilities used by the licensee solely for the diurnal storage of gas which has been introduced into its pipe-line system,

but excepting arrangements relating to services supplied pursuant to Standard Special Condition ~~A43-D18~~ (Provision of Metering and Meter Reading Services). This definition will apply other than in relation to the

following conditions (to the extent that the provisions have effect in this licence): Standard Special Condition A4 (Charging – General), Standard Special Condition A5 (Obligations as Regard Charging Methodology), Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in conformity with the Network Code), Standard Special Condition A11 (Network Code and Uniform Network Code), and Special Condition ~~€2-7A~~ (Long Term Development Statement);

“transportation business”

means the activities of the licensee connected with the development, administration, maintenance, and operation of the transportation system and with the supply of transportation services but excluding the metering business and the meter reading business. This definition will apply other than in relation to the following conditions (to the extent that the provisions have effect in this licence): Standard Special Condition A5 (Obligations as Regard Charging Methodology), Standard Special Condition A6 (Conduct of Transportation Business), Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business), Standard

Special Condition A35 (Prohibition of Cross Subsidies), Special Condition ~~E911B~~ (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) and Special Condition ~~E174B~~ (Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network);

Standard Special Condition A8. Emergency Services and Enquiry Service Obligations

1. The licensee shall:—
 - (a) establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of, in co-ordination with all other gas transporters a single continuously manned telephone service for use by any person, with the facilities mentioned in paragraph 2, for the receipt of reports and the offering of information, guidance or advice about any matter or incident that:—
 - (i) causes danger or requires urgent attention, or is likely to cause danger or require urgent attention, in relation to the supply of gas conveyed through pipes; or
 - (ii) involves the escape of gas from a network or from a gas fitting supplied with gas from a network (where the reference to an escape of gas from a gas fitting includes a reference to an escape or emission of carbon monoxide gas resulting from incomplete combustion of gas in such a fitting);
 - (b) arrange with other gas transporters for the information contained in reports received by that service of escapes of gas in respect of which the licensee may have any obligations to be given without delay to the licensee; and
 - (c) secure adequate publicity for the service and its telephone number, having regard, in particular, to the special needs of blind or partially sighted persons.
2. The facilities referred to in paragraph 1(a) shall include facilities for deaf or partially hearing persons which will assist them (if they have the equipment enabling them to take advantage thereof) to use the service.
3. The service established by the licensee in accordance with paragraph 1(a) shall:—
 - (a) except for any charge applied by a user's telephone operator to 0800 numbers, be provided without charge by the licensee to the user at the point of use; and
 - (b) ensure that all reports and enquiries are processed in a prompt and efficient manner.

4. In the establishment and operation of the service in accordance with paragraph 1 the licensee shall not discriminate between any persons or class or classes thereof.
5. In the establishment and operation of the service in accordance with paragraph 1 the licensee shall not restrict, distort or prevent competition in the supply of gas.
6. The licensee shall prepare and submit a statement setting out details of the service to be provided in accordance with paragraph 1, and the licensee shall give or send a copy of such statement to any person requesting it.
7. The licensee shall take steps to inform users of the service of any change to the telephone number of the service established in accordance with paragraph 1 as soon as is practicable prior to such change becoming effective.
8. Subject to paragraph 9, the licensee shall make arrangements which will secure that in preventing an escape of gas in any premises to which it conveys gas (or, where it conveys gas to any primary sub-deduct premises, in any secondary sub-deduct premises to which the gas is subsequently conveyed) -
 - (a) the prevention is effected, so far as it is reasonably practicable and safe to do so: -
 - (i) in such a way as to maintain the supply of Gas to those premises and to appliances designed for use by domestic customers for heating or cooking; and
 - (ii) by carrying out any appropriate minor repairs to appliances;
 - (b) the prevention is effected, so far as is reasonably practicable, by a person adequately trained to recognise signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and
 - (c) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises, as to persons in the locality who are members of a class of persons permitted pursuant to regulations under the Health and Safety at Work etc Act 1974 to perform repairs on gas fittings.
9. Nothing in paragraph 8(a) shall oblige the licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than £4.65,

adjusted in accordance with standard condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) by reference to the day on which the premises were entered for that purpose.

10. **NOT USED**

11. **NOT USED**

12. Except in the case of changes reasonably consequential upon an extension or a restriction of its licence, which are made with effect from the effective date of the extension or the restriction, the licensee shall not make any material change in the arrangements referred to in paragraph 8 except with the consent of the Authority.

13. The licensee shall use its best endeavours to ensure, so far as is reasonably practicable, that it conducts itself towards domestic customers in conformity with the arrangements referred to in paragraph 8.

14. Paragraph 15 shall apply in relation to relevant customers (defined in paragraph 21) and the premises of relevant customers.

15. The licensee shall ensure, so far as is reasonably practicable in the circumstances, having regard to the over-riding importance of safety, that where for reasons of safety (not being reasons relating solely to particular premises or a particular locality), the supply of gas to any relevant customer or the conveyance of gas to that customer's premises needs to be interrupted, reduced or restricted, the licensee shall:—

(a) when making such a request of a relevant supplier or shipper as is mentioned in paragraph 1 of standard condition 16 (Pipe-Line System Security Standards~~Security and emergency arrangements~~) of the standard conditions of gas suppliers' licences or paragraph 2 of standard condition 5 (Obligations as Respects Emergencies etc) of the standard conditions of gas shippers' licences;

(b) when telling a relevant customer that he should refrain from using gas, in pursuance of such a term of that customer's contract for the supply of gas as is mentioned in paragraph 4(b) of standard condition 16 (Security and emergency arrangements) of the standard conditions of Gas Suppliers' licences;— or

(c) when interrupting, reducing or restricting the conveyance of gas,

give priority to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, relevant customers or classes of relevant customers in accordance with, and to the extent specified in the list required by paragraph 17, and (to the extent that they supersede or supplement such list) such directions as may from time to time have been given by the Secretary of State under paragraph 19 or 20.

16. Where the reasons of safety referred to in paragraph 15 relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain, the licensee shall so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety:—

- (a) (i) consult the network emergency co-ordinator; or
- (ii) where the licensee is the network emergency co-ordinator, inform and if appropriate consult the Secretary of State, on the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of that paragraph; and
- (b) shall do so before taking any such steps.

17. The licensee, if licensed under section 7(2)(a) of the Act, shall:—

- (a) unless it has done so before being so licensed, establish a list of relevant customers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises; and
- (b) as often as is appropriate, review the list, and so far as appears appropriate, amend it, after consultation with all relevant shippers which appear to the licensee to have an interest in the proposed amendment, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Secretary of State.

18. When the licensee establishes, reviews or amends any list established under paragraph 17, it shall comply with any direction given by the Secretary of State as to:

- (a) the classes of relevant customers on which the list is to be based;
- (b) any other criteria on which the list is to be based;

- (c) any other customers or classes of customers specifically required to be included in the list; and
 - (d) the nature and extent of any priority which will be given to any relevant customer or class of relevant customer as specified in the list.
- 19. The licensee shall comply with any directions given by the Secretary of State for the purposes of this condition generally requiring priority to be given, in such manner and to such extent as may be specified in the directions, to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, one or more relevant customers or classes of relevant customers.
- 20. Any question arising under this condition as to whether a particular relevant customer is required to be included in the list established, reviewed or amended under paragraph 17 shall be determined by the Secretary of State.
- 21. In this condition: –
 - (a) “**network emergency co-ordinator**” shall be construed in the same manner as that term is construed in the Gas Safety (Management) Regulations 1996; and
 - (b) “**relevant customer**” includes: –
 - (i) any person who is supplied by a relevant supplier with gas conveyed to a particular supply point at a rate which is reasonably expected to exceed 732,000 kilowatt hours a year, to the extent that the terms on which that person is supplied permit such supply to be interrupted or reduced only in pursuance of such a term as is mentioned in paragraph 4 of standard condition 16 (Pipe-Line System Security Standards and emergency arrangements) of the standard conditions of gas suppliers’ licences or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976; and
 - (ii) any person mentioned in any direction given by the Secretary of State in relation to paragraph 18(c) of this condition.
- 22. References in this condition to the maintenance of supply or conveyance of gas include references to the resumption of such supply or conveyance following its interruption or reduction.
- 23. Charges for the provision of services under this condition shall be set at a level which will allow the licensee to recover no more than its reasonable costs and a reasonable profit in providing this service.

**Standard Special Condition A10. ~~Provision and Return of Meters~~
Not Used**

[Delete entire condition]

**Standard Special Condition A29. ~~Change of Financial Year~~ Not
Used**

[Delete entire condition]

Standard Special Condition A30. Regulatory Accounts

[All text other than the title to be deleted and replaced with the following provisions.]

Introduction

1. This condition applies to Regulatory Accounts prepared for Financial Years commencing on or after 1 April 2013 for the purpose of ensuring that the licensee:
 - (a) prepares and publishes regulatory accounts within the meaning of Part C below; and
 - (b) maintains (and ensures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to comply with that obligation in respect of the businesses specified in Part A below and in accordance with the requirements of Part B below.

Part A: Businesses to which licensee's obligation applies

2. The businesses to which the licensee's obligation under paragraph 1 applies, in each case to the extent applicable, are:
 - (a) the transportation business in respect of each distribution network , separately identifying the NTS transportation owner activity, the NTS system operation activity, the LNG storage business and LNG import or export facilities activities, where applicable;
 - (b) the metering business, separately identifying services provided pursuant to paragraph 1 of Standard Special Condition D17 (Provision and return of meters) with respect to each distribution network, as appropriate);
 - (c) the meter reading business;
 - (d) any de minimis business to which this licence relates, separately identifying the allocation or apportionment of each de minimis activity to each of the businesses referred to in sub-paragraphs (a) to (c), and clearly describing each such activity;
 - (e) other activities to which this licence relates and to which the Authority has given its consent in accordance with paragraph 3(d) of Standard Special Condition A36 (Restriction on activity and financial ring-fencing), separately identifying the apportionment of each such activity to each of the businesses referred to in sub-paragraphs (a) to (c), and clearly describing each service provided; and
 - (f) the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within sub-paragraphs (a) to (e), where applicable, and, in addition, details of any de minimis business carried out by a Relevant Associate (as defined in

paragraph 4 of Standard Special Condition A36) of the holder of the licence.

Part B: Other matters relating to licensee's obligation

3. Subject to the requirements of paragraph 4, where the holder of this licence is a parent undertaking as defined in Section 1162 of the Companies Act 2006 and itself prepares either IAS or Companies Act group accounts, its regulatory accounts must be prepared as group accounts in the format required by that Act, otherwise it must prepare consolidated accounts.
4. Where the holder of this licence also holds, within the same legal entity, one or more other gas transporter licence(s) for relevant gas transporters, it must:
 - (a) ensure that such of the businesses referred to in Part A above as are applicable are reflected in the regulatory accounts submitted in respect of those licences, such that those regulatory accounts, when consolidated, reflect the total business of the licence holder; and
 - (b) include within each set of regulatory accounts prepared in accordance with those licences, a reconciliation to the statutory accounts of the licensee prepared under the Companies Act 2006 which (i) contains sufficient explanation of all reconciling items for all sets of regulatory accounts and (ii) covers each of the primary financial statements set out in paragraphs 9(a) to (d).

Part C: Preparation of the regulatory accounts

5. For the purposes of this condition, but without prejudice to the requirements of Part E below, the licensee must prepare regulatory accounts for each financial year, which must be prepared under the same applicable accounting framework as the most recent or concurrent statutory accounts of the licensee.
6. Except and so far as the Authority otherwise consents, the licensee must comply with the obligations imposed by the following paragraphs of this Part C in relation to the preparation of regulatory accounts.
7. The licensee must keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 388(4)(b) of the Companies Act 2006 and in the manner referred to in that section, such accounting records and other records as are necessary to ensure that all of the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, each of the businesses referred to in Part A above are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee.
8. The regulatory accounts must be prepared on a consistent basis derived from the accounting records and other records referred to in paragraph 7 in respect of each financial year, and must comprise:
 - (a) the matters set out in paragraph 9; supported by

- (b) the matters mentioned in paragraph 10; and
 - (c) the statement required by paragraph 11.
9. The matters to which paragraph 8(a) refers are:
- (a) an income statement and a statement of comprehensive income (or, as appropriate, a profit and loss account and, as appropriate, a statement of total recognised gains and losses);
 - (b) a statement of changes in equity, if appropriate;
 - (c) a statement of financial position (or, as appropriate, a balance sheet);
 - (d) a statement of cash flows (or, as appropriate, a cash flow statement);
 - (e) a corporate governance statement in respect of the whole business to which this licence relates;
 - (f) a directors' report in respect of the whole business to which this licence relates; and
 - (g) a business review in respect of the whole business to which this licence relates.
10. The matters to which paragraph 8(b) refers are explanatory notes to the regulatory accounts that:
- (a) provide a summary of the accounting policies adopted by the licensee for the purpose of producing regulatory accounts in respect of the whole business to which this licence relates; and
 - (b) comply with the requirements applicable for preparing annual accounts in Chapter 4 of Part 15 of the Companies Act 2006 and of the reporting requirements of the applicable accounting framework in respect of each business to which this licence relates.

Part D: Bases of charge or apportionment

11. Subject to paragraph 12, the licensee must include within its regulatory accounts, a statement that, in respect of each of the businesses referred to in Part A above, shows separately and in appropriate detail the amount of any revenue, cost, asset, liability, reserve, or provision which has been:
- (a) charged from any ultimate controller of the licensee, or from any Subsidiary of such ultimate controller (other than the licensee or any of its subsidiaries), in relation to the provision of goods or services to the licensee; or

- (b) charged from the licensee, or from any subsidiary of the licensee, in relation to the provision of goods or services to any ultimate controller of the licensee, or to any subsidiaries of such ultimate controller (other than the licensee or any of its subsidiaries); or
 - (c) determined by apportionment or allocation between any of the businesses referred to in Part A above or any other business of the licensee or affiliate or related undertaking (and, where this sub-paragraph applies, the statement must include a description of the basis of the apportionment or allocation).
- 12. The requirements of paragraph 11 apply only in respect of goods and services received or supplied for the purposes of the businesses referred to in Part A above.
- 13. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written consent, the licensee must not in relation to the regulatory accounts prepared in respect of any financial year change the bases of charge, apportionment, or allocation referred to in paragraph 11 from those applied in respect of the immediately preceding financial year.
- 14. Where the licensee has, in accordance with paragraph 13 above, changed its bases of charge, apportionment, or allocation or changed any of its accounting policies or the manner of their application from those adopted for the immediately preceding financial year, the licensee must, if so directed by the Authority, in addition to preparing regulatory accounts on the changed bases that it has adopted, also prepare such regulatory accounts by reference to the bases, accounting policies, and manner of application that applied in respect of that immediately preceding financial year.

Part E: Consistency with Statutory Accounts

- 15. Regulatory accounts and information prepared under Parts C and D above must, so far as is reasonably practicable and except so far as the Authority otherwise consents, having regard to the purposes of this condition:
 - (a) have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under Part 15 of the Companies Act 2006; and
 - (b) comply with all relevant accounting and reporting standards currently in force under the applicable accounting frameworks as set out in Part 15 of the Companies Act 2006.
- 16. This paragraph applies if the Regulatory Accounts are group accounts of the licensee's gas transportation business, including those aspects of the business carried on in relevant Affiliates, and for which there are no comparable statutory accounts of the licensee prepared under Part 15 of the Companies Act 2006.
- 17. Where paragraph 16 applies, the licensee must prepare a statement that:

- (a) reconciles the regulatory accounts to its most recent or concurrent statutory accounts and containing appropriate explanation of all reconciling items; and
 - (b) has been audited and reported upon by the appropriate auditor engaged under Part F below.
- 18. The statement referred to in paragraph 17 must be submitted to the Authority by 31 July after the end of the financial year to which the regulatory accounts relate, but is otherwise exempt from the requirements of Part I below.

Part F: Audit and delivery of Regulatory Accounts

- 19. Unless the Authority otherwise consents, the licensee must:
 - (a) procure an audit by an appropriate auditor of such parts of its regulatory accounts and the directors' report and business review as would be specified in the Companies Act 2006 as being required to be so audited if the licensee were a quoted company and those accounts were the statutory accounts of the licensee drawn up to 31 March each financial year and prepared under Part 15 of the Companies Act 2006;
 - (b) procure a report by that auditor, addressed to the Authority, that states whether in the auditor's opinion those accounts (and, if applicable, the reconciliation information mentioned in paragraph 4) fairly present the financial position, financial performance, and cash flows of, or reasonably attributable to, each of the businesses referred to in Part A in accordance with the requirements of this condition; and
 - (c) deliver those accounts and the auditor's report required under paragraph 19 (b) of this licence condition to the Authority as soon as is reasonably practicable, and in any event before their publication of such accounts under Part I below and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

Part G: Terms of appointment of the appropriate auditor

- 20. For the purposes of Part F above, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the licensee's regulatory accounts must be conducted by that auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with the provisions of Part 15 of the Companies Act 2006.

Part H: Agreed upon procedures for the appropriate auditor

- 21. The licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures that are to apply for the purposes of enabling that auditor to review:

- (a) the licensee's compliance with its obligations in respect of the prohibition of cross-subsidy and discrimination generally and, in particular, under such of standard or standard special conditions A6 (Conduct of transportation business), A35 (Prohibition of Cross-Subsidies) and, to the extent applicable, D19 (Non-discrimination in the provision of metering activities) of this licence as specifically impose such prohibitions; and
 - (b) the statement that by virtue of Part D above is required to be included in the regulatory accounts concerning the bases of charge, apportionment, and allocation applied by the licensee in relation to those accounts.
- 22. The contract of appointment must require that the agreed Upon Procedures are conducted in relation to each financial year and that the licensee will arrange for the appropriate auditor to address a report to the Authority by 31 July following the end of each such year which:
 - (a) states that he has, in a manner consistent with the relevant auditing standards, completed the agreed upon procedures issued by the Authority in respect of the financial year under report; and
 - (b) sets out his findings.
- 23. If the Authority is satisfied that the appropriate auditor's report submitted under this Part H demonstrates that the licensee has complied with the obligations to avoid discrimination and cross-subsidies imposed on the licensee, the report shall be deemed to represent the results of an audit of those obligations.

Part I: Publication and provision of regulatory accounts

- 24. Subject to paragraph 26, and unless the Authority after consulting with the licensee otherwise directs, the licensee must publish its regulatory accounts (excluding the statement required to be included in them by virtue of Part D above and any other information agreed by the Authority to be confidential):
 - (a) as a stand-alone document in accordance with this condition;
 - (b) by 31 July after the end of the Financial Year to which the accounts relate;
 - (c) on, and in a way that is readily accessible from, its website or that of an Affiliate or ultimate controller of the licensee provided that link is both clear and readily accessible; and
 - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
- 25. The licensee must provide a copy of the regulatory accounts free of charge:
 - (a) to the National Consumer Council (or any successor entity), no later than the date on which the regulatory accounts are published; and
 - (b) to any person requesting a copy.

26. The licensee is not required to publish regulatory accounts for the LNG storage and LNG import or export facilities businesses, metering business or the meter reading business if such publication would or might seriously and prejudicially affect the interests of the licensee, or of any ultimate controller of the licensee, or of any subsidiary of any ultimate controller.
27. Any question arising under paragraph 26 as to whether a person's interests would or might be seriously and prejudicially affected is to be referred (except in so far as the Authority consents otherwise) to the Authority for determination.

Part J: Interpretation and definitions

28. Any consent by the Authority given in relation to a provision of this condition may be given in relation to some or all of the requirements of the relevant provision and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.
29. If the Authority, having particular regard to any representations received from the licensee and other persons about the extent to which there is competition in metering or meter reading, considers it appropriate that references to either:
 - (a) the Metering business and meter reading business; or
 - (b) the LNG storage business; or
 - (c) LNG import or export facility activity,should be deleted from this condition, then those references will cease to have effect in this condition from the date or dates specified in a notice published by the Authority for that purpose.
30. The requirement under paragraph 9 of this condition for the licensee to include a business review, a corporate governance statement, and a directors' report in its regulatory accounts is to be read as if the requirement applied to the licensee as a quoted company, whether or not it is such a company, such that:
 - (a) the business review has the coverage and content of the business review that a quoted company is required to prepare under section 417 of the Companies Act 2006;
 - (b) the corporate governance statement has the coverage and content of a corporate governance statement that a quoted company is required to prepare under the UK Corporate Governance Code issued under the UK Listing Authority's listing rules and interpretations on corporate governance; and
 - (c) the directors' report has the coverage and content of the directors' report that a quoted company is required to prepare under sections 415, 416, 417, 418(2), and 419(3) and (4) of the Companies Act 2006.
31. For the avoidance of doubt, the licensee should prepare regulatory accounts for the financial year commencing on or after 1 April 2012 in accordance with the licence condition in force as at 31 March 2013.

32. For the purposes of this condition:

agreed upon procedures

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 21 of this condition;

applicable accounting framework

means:

- (a) in accordance with section 396 of the Companies Act 2006 ("Companies Act individual accounts"), or in accordance with international accounting standards ("IAS individual accounts"); or
- (b) in accordance with section 403 Companies Act group accounts, or IAS group accounts;

consolidated accounts

means the regulatory accounts of the licensee incorporating the results of all subsidiaries and the financing disclosure requirements of any subsidiary of the licensee as if they were part of the consolidated accounts;

quoted company

has the meaning given in section 385 of the Companies Act 2006;

UK Listing Authority

has the meaning given in section 72 of the Financial Services and Markets Act 2000 and refers to the Financial Services Authority when it acts in its capacity as the competent authority for the purposes of that section.

**Standard Special Condition A32. ~~Definition of Permitted Purpose~~
Not Used**

[Delete entire condition]

Standard Special Condition A35. Prohibition of Cross-Subsidies

1. The licensee shall procure that the transportation business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the licensee or of an affiliate or related undertaking of the licensee.
2. In the event that the holder of this licence also owns one or more relevant gas transporters, the licences for which are held in the same legal entity, such that the holder of this licence is:

(a) an NTS operator; and/or

(b) a DN operator,

the licensee acting as either an NTS operator or a DN operator, as the context requires, shall procure that:

(i) it shall neither give any cross-subsidy to, or receive any cross-subsidy from, directly or indirectly, a DN operator or any other business operated by the holder of this licence pursuant to any such other gas transporter licence held by the holder of this licence; and/or

(ii) it shall neither give any cross-subsidy to, or receive any cross-subsidy from, directly or indirectly, an NTS operator or any other business operated by the holder of this licence pursuant to any such other gas transporter licence held by the holder of this licence.

3. If applicable, where the licensee is a DN operator that operates more than one Distribution Network ~~(as defined in Special Condition E1 (Revenue Restiction Definitions in respect of the Distribution Network))~~ no such Distribution Network shall be operated in a manner that gives any cross-subsidy to, or receives any cross-subsidy from, any other such Distribution Network.

~~4.a) Unless the Authority otherwise consents, the licensee must procure, for each formula year a report by an appropriate auditor that sets out the procedures, and the results of those procedures, carried out by the auditor for the purposes of demonstrating the extent to which the licensee has complied with paragraphs 1 and 2 of this condition.~~

~~b) The procedures to be carried out shall have been approved by the Authority.~~

~~c) The report shall be delivered to the Authority by 31 July following the end of the formula year to which it relates.~~

~~5. If the Authority is satisfied that the report referred to in paragraph 4 above demonstrates that the licensee has complied with the obligation to avoid discrimination and cross-subsidies specified in Article 31 of the Directive and imposed on the licensee by paragraph 1 of this condition, then the report shall be deemed as representing the results of an audit of this obligation, as required by the Article.~~

Standard Special Condition A36. Restriction on Activity and Financial Ring Fencing

1. Subject to paragraph 1A, and save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than any business carried on by the licensee for a purpose within sub-paragraphs (a), (b), and (c) of the definition of “**permitted purpose**” in Standard Special Condition ~~A32 (Definition of Permitted Purpose)~~ A3 (Definitions and Interpretation).
- 1A. Nothing in this condition prevents the licensee from carrying out gas production if the licensee:
 - (a) conveys gas to less than 100,000 premises; and
 - (b) is not a transmission system operator.
2. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:
 - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;
 - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for any purpose falling within sub-paragraphs (a), (b) or (c) of the definition of permitted purpose contained in Standard Special Condition ~~A32 (Definition of Permitted Purpose)~~ A3 (Definitions and Interpretation) of this licence and any other licence held by the licensee in the same legal entity; or
 - (c) investments acquired in the usual and ordinary course of the licensee’s treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK Listing Authority (or a successor body) from time to time for listed companies in the United Kingdom.
3. Subject to the provisions of paragraph 2, nothing in this condition shall prevent:

- (a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;
 - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;
 - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
 - (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
4. Nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a "**relevant associate**") from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:
- (a) For the purpose of this paragraph, "**de minimis business**" means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:
 - (i) the business or activities falling within sub-paragraph (a), (b), or (c) of the definition of "permitted purpose" contained in Standard Special Condition ~~A32—(Definition of Permitted Purpose)~~A3 (Definitions and Interpretation);
 - (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d); and
 - (iii) gas production.
 - (b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:
 - (i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the transportation business, the metering business and the meter reading business (excluding the turnover on transactions which

each of those businesses make with each other) as shown by the most recent audited regulatory accounts of the licensee ~~produced prepared~~ under ~~paragraph 3(b) of~~ Standard Special Condition A30 (Regulatory Accounts); and

- (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in this licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited regulatory accounts of the licensee ~~produced prepared~~ under ~~paragraph 3(b) of~~ Standard Special Condition A30 (Regulatory Accounts) then available.
- (c) For the purpose of sub-paragraph (b) above, "**investment**" means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
- (d) At any relevant time, the amount of an investment shall be the sum of:
 - (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to 13 December 1999 (or, where the investment was not so included, zero);
 - (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and
 - (iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,

less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect

of such investment in all completed accounting reference periods since the accounting reference date referred to in sub-paragraph (d)(i).

- 5 For the purposes of paragraph 4, “**equity share**”, in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.
- 5A. For the purposes of this condition, “**gas production**” means the production of gas for the purpose of its conveyance through pipes to premises, or through a pipeline system operated by a gas transporter or a transmission system operator, including where a licence is held under section 3 of the Petroleum Act 1998 for that purpose but not where such a licence is held for a different purpose.
6. Where the holder of this licence owns one or more relevant gas transporters, the licences for which are held in a single legal entity, references in this condition to “**licensee**” shall mean this legal entity.

[Delete entire condition and replace with the following]

Standard Special Condition A40. Regulatory Instructions and Guidance

Introduction

1. The purpose of this condition is to set out the scope, contents, and common governance arrangements for the Regulatory Instructions and Guidance ("RIGs") published by the Authority pursuant to this condition.
2. The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the Special Conditions of this licence and, where not referenced in the licence, the final proposals.

Part A: Licensee's obligations under this condition

3. Unless and so far as the Authority otherwise consents, the licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:
 - (a) to estimate, measure, and record the information detailed in the RIGs ("specified information"); and
 - (b) to provide such information to the Authority in respect of such periods and within such timeframes as are specified in the RIGs.
4. To facilitate compliance with paragraph 3 of this condition, the accounting records and other records kept by the licensee with respect to the specified information must:
 - (a) be so arranged as to ensure that such Information can be separately identified and reasonably attributed as between the licensee's business and the business of any affiliate or related undertaking of the licensee; and
 - (b) be maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

Part B: Scope and content of the RIGs

5. Subject to paragraphs 6 and 7 of this condition, the matters that may be included, or for which provision may be made, in the RIGs are:
- (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing specified information;
 - (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of specified information (including different classes of such information);
 - (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
 - (d) the methodology for calculating or deriving numbers comprising specified information;
 - (e) provision with respect to the meaning of words and phrases used in defining specified information;
 - (f) requirements as to the form and manner in which, or the frequency with which, specified information must be recorded;
 - (g) requirements as to the form and manner in which, or the frequency with which, specified information must be provided to the Authority;
 - (h) requirements as to which (if any) of the specified information is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person;
 - (i) requirements as to the circumstances in which the Authority may appoint an examiner to examine the recording of the specified information by the licensee;
 - (j) a statement on whether and to what extent each category of the specified information is required for the purposes of the RIGs; and

- (k) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs (as to which, see also Part E of this condition).
- 6. The provisions of the RIGs must not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions.
- 7. No specified information may exceed what could be requested from the licensee by the Authority under paragraph 1 of standard special condition A26 (Provision of information to the Authority) excluding any reference to paragraph 8 of that condition.

Part C: Development and modification of the RIGs

- 8. The Authority may issue new RIGs or modify any existing RIGs by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 9. Data collected in relation to the formula year commencing on 1 April 2012 must be reported according to the relevant reporting requirements provided for in these standard conditions as they were in force as at 31 March 2013.
- 10. A direction issued by the Authority under paragraph 8 of this condition will be of no effect unless the Authority has first:
 - (a) given notice to all licensees in whose licence this condition has effect that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
 - (i) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
 - (ii) setting out the text of the RIGs to be issued or (as the case may be) modified and the Authority's reasons for proposing to issue or modify it; and
 - (iii) specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations in response to such proposals may be made; and

- (b) considered any representations in response to the notice that are duly made and not withdrawn.
- 11. The requirements for the issuing of new RIGs or modification of existing RIGS set out in paragraph 10 of this condition may be satisfied by actions taken by the Authority before as well as after the coming into effect of this condition.

Part D: Requirements for new or more detailed information

- 12. This Part D applies if any modified or new RIGs have the effect of introducing a requirement to provide:
 - (a) a new category of specified information; or
 - (b) an existing category of specified information to a greater level of detail, which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.
- 13. Where this Part D applies, the licensee may provide estimates to the Authority in respect of the relevant category of specified information for any Formula Year specified by the Authority.
- 14. The estimates that are mentioned in paragraph 13 of this condition may be derived from such other information available to the licensee as may be appropriate for that purpose.

Part E: Compliance with the provisions of the RIGs

- 15. The Licensee must at all times comply with the provisions of the RIGs for the time being in force pursuant to this condition.
- 16. Any Licensee that is a DN Operator and operates one or more Distribution Networks (as defined in Standard Special Condition A3: Definitions and Interpretation) in a single legal entity must comply with the requirements of this condition separately in respect of each such network.
- 17. Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

Part F: Interpretation

- 18. For the purposes of this condition:

examiner	means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable him to properly carry out and complete the tasks required of him under the terms of his nomination by the Authority pursuant to the provisions of the RIGs;
final proposals	where the licensee is a DNO Operator means the document entitled RIIO GD1: Final Proposals – Overview, together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 17 December 2012;; and where the licensee is a NTS Operator means the document entitled RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas – Overview, together with of all the supporting, associated and other documents referred to in that document, which was published on 17 December 2012; and
specified information	means information (or a category of information) that is so described or defined in the RIGs.

Standard Special Condition A43. ~~Provision of Metering and Meter Reading Services~~ Not Used

[Delete entire condition]

Standard Special Condition A46. ~~Non-discrimination in the Provision of Metering Activities~~ Not Used

[Delete entire condition]

Standard Special Condition A55. Data Assurance requirements

Introduction

1. This condition requires the licensee to undertake processes and activities for the purpose of reducing the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.
2. This condition comes into effect in this licence on the earlier of:
 - (a) the date on which a data assurance direction in accordance with the provisions of Part B below has effect; and
 - (b) 1 April 2015.

Part A: Licensee's obligations under this condition

3. The licensee must:
 - (a) comply with the provisions of the Data Assurance Guidance ("the DAG"), being a document that will be incorporated into this licence condition by way of licence modification, the scope and contents of which are set out in Part C of this condition, as if it were a condition of this licence;
 - (b) subject to paragraph 4, where required to provide data under the provisions of this licence, provide accurate and complete Data;
 - (c) carry out a risk assessment in accordance with such provisions and timescales as are specified for that purpose in the DAG, and ensure that it has used its best endeavours to mitigate such risks as it has identified in that assessment;
 - (d) if directed by the Authority, procure an independent review of its data assurance activities in accordance with such provisions and timescales as are specified for that purpose in the DAG; and
 - (e) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the DAG, reports that variously contain:
 - (i) the results of the licensee's risk assessment;

- (ii) a description of the data assurance activities that the licensee intends to undertake concerning data for the coming financial year to mitigate the risks identified in that assessment;
 - (iii) a description of the data assurance activities undertaken by the licensee concerning data for the preceding financial year; and
 - (iv) if required, the details and results of the independent review procured by the licensee of its data assurance activities.
- 4. 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.
- 5. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 3.
- 6. The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific data assurance activity in accordance with the provisions of Part E.

Part B: Requirement for consultation before giving a direction

- 7. A data assurance direction is of no effect unless, before issuing it, the Authority has first:
 - (a) given notice to all licensees in whose licence this condition has effect that it proposes to issue the direction:
 - (i) specifying the date on which it proposes that it should have effect;
 - (ii) setting out the text of the direction and the Authority's reasons for proposing to issue it; and
 - (iii) specifying the time (which must not be a period of less than 28 days from the date of the notice) within which representations or objections with respect to the proposal may be made; and
 - (b) considered any representations or objections in response to the notice that are duly made and not withdrawn.

Part C: Scope and contents of the data assurance guidance

- 8. The DAG may from time to time be revised by the Authority under Part D of this condition.
- 9. The purpose of the DAG is to establish a process under which the licensee must comply with its obligations as set out in paragraph 3 (b) to (e).

10. Subject to paragraphs 12 and 13, the DAG may include, or make provision for, any of the following matters:

- (a) the data to which the risk assessment applies;
- (b) the format of the risk assessment;
- (c) the frequency with which and the timescales within which the risk assessment is required to be carried out;
- (d) the format of any independent review that may be required of the licensee's data assurance activities and the associated reporting requirements;
- (e) the format of the reporting requirements detailed in paragraph 3(e); and
- (f) the frequency with which and the timescales within which the Licensee should report on its data assurance activities to the Authority.

11. Reference in paragraph 10 to the format of an assessment, review, or reporting requirement includes references to its form, layout, scope and content.

12. The provisions of the DAG must not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions and the impact on consumers of data reporting errors.

13. 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 Special Condition A26 (Provision of information to the Authority).

Part D: Modification of data assurance guidance

14. The DAG may be modified by the Authority from time to time by direction.

15. A direction issued by the Authority under paragraph 14 is of no effect unless the Authority has first:

- (a) given notice to all licensees in whose licence this condition has effect that it proposes to modify the DAG:
 - (i) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
 - (ii) setting out the text of the DAG to be modified and the Authority's reasons for proposing to modify it;

- (iii) specifying the time (which must not be less than a period of 28 days from the date of the notice) within which representations concerning such proposals may be made; and
- (b) considered any representations in response to the notice that are duly made and not withdrawn.

Part E: Authority's power to specify data assurance activity

16. The Authority may, after consulting with the licensee, issue a direction, in accordance with the provisions of paragraph 17, requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such data assurance activity as may be specified in the direction.

17. The requirements for the direction under paragraph 16 are that it must:

- (a) contain a description of the data assurance activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of ensuring the accuracy and completeness of data provided to the Authority;
- (b) if it refers to a person nominated by the Authority, specify the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;
- (c) contain a description of the data to which the activity that is described in the direction must apply;
- (d) contain an explanation of why the Authority requires the licensee to carry out that activity;
- (e) specify any relevant dates by which that activity must be completed; and
- (f) specify the form and content of any information relating to that activity that the licensee must provide to the Authority.

Part F: Derogations

18. The Authority may, after consulting with the licensee, give a direction ("derogation") to the licensee that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Part G: Interpretation

19. For the purposes of this condition:

data	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;
data assurance activity	means, in respect of data, the activity undertaken by the licensee (or a person nominated by the Authority, as the case may be) to address the risks identified in the risk assessment;
data assurance direction	means a direction by the Authority to bring into effect this condition; and
risk assessment	means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority under this licence.