

## **Annex 8. EU Exit – Notice of proposed licence modifications to the licence conditions of the Gas Transporter Licence**

**To: All holders of a Gas Transporter Licence**

### **Gas Act 1986**

### **Section 23(2)**

#### **Notice of statutory consultation on a proposal to modify the standard conditions of all Gas Transporter Licences, the standard special conditions of all Gas Transporter Licences and the special conditions of the Gas Transporter Licence held by National Grid Gas Plc.**

1. The Gas and Electricity Markets Authority (the Authority) proposes to modify the standard conditions of all Gas Transporter Licences granted or treated as granted under section 7 of the Gas Act 1986 by amending Standard Licence Conditions under section 23(1)(b):
  - SLC 1 (Definitions and Interpretation)
  - SLC 9 (Network Code and Uniform Network Code)
  - SLC 29 (Disposal of Assets and restrictions on charges over Receivables)
  - SLC 30 (Accounts)
  - SLC 40 (Appointment of Compliance Officer)

set out in Annex 8.1.a and 8.1.b to this Notice.

2. Further, the Authority proposes to modify the standard special conditions of the Gas Transporter Licence, granted or treated as granted under section 7 of the Gas Act 1986, held by National Grid plc ('the NTS licence') and licences held by the following licensees in respect of the distribution networks ('DN Licence'): National Grid Gas Distribution Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, Wales & West Utilities Limited, by amending standard special conditions Part A under section 23(1)(a):
  - A3 (Definitions and Interpretation)
  - A11 (Network Code and Uniform Network Code)
  - A27 (Disposal of Assets and restrictions on charges over Receivables)

set out in Annex 8.2.a and 8.2.b to this Notice.

3. Further, the Authority proposes to modify the standard special conditions of the Gas Transporter NTS Licence granted or treated as granted under section 7 of the Gas Act 1986 by amending standard special conditions Part B under section 23(1)(a):
  - B3 (Cross-border capacity)
  - B4 (Notification of changes that may affect eligibility for certification)
  - B5 (Regional cooperation)

set out in Annex 8.2.a and 8.2.b to this Notice.

4. Further, the Authority proposes to modify the special conditions of the Gas Transporter NTS Licence granted under section 7 of the Gas Act 1986 by amending the special conditions under section 23(1)(a):
  - SC 1A (Definitions)
  - SC 3D (NTS System Operator external incentives, cost and revenues)

set out in Annex 8.3.a and 8.3.b to this Notice.

5. The modifications we propose to make are to reflect the changes in the legislative framework that will be implemented in the event that the United Kingdom (UK) leaves the European Union (EU) without a deal.
6. The effect of these proposed modifications is to ensure that the references in the licence to EU law (e.g. Directives, Regulations and Commission decisions) shall be read as references to such EU law as it had effect immediately before exit day subject to any further amendments as may be contained in statutory instruments made under the European Union (Withdrawal) Act 2018. As far as possible, the modifications do not seek to change the current obligations and duties of licences, nor do they seek to change the current policy positions.
7. The proposed modifications and the reasons why they are proposed are stated in Annex 8.1.a to 8.3.a to this Notice. The effect of the proposed changes are set out in paragraph 6 of this Notice. Further information concerning the proposed modifications is contained in the letter entitled 'Preparing for EU Exit: statutory consultation on consequential licence modifications in the event the UK leaves the EU without a deal' which can be found at [www.ofgem.gov.uk](http://www.ofgem.gov.uk).
8. Any representations with respect to the proposed licence modifications must be made on or before 15 February 2019 to: Heather Stewart, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to [EUExit@ofgem.gov.uk](mailto:EUExit@ofgem.gov.uk).
9. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
10. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

**Cathryn Scott**  
**Director, Wholesale Markets & Commercial**

**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**14 January 2019**

### Annex 8.1.a. Gas Transporter Standard Conditions Modification Table

Licence condition	Current wording	Proposed change	Reasons for change
1	“Directive” means Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC;	“Directive” means Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC <u>as it has effect immediately before Exit Day as read with the modifications set out in the Act;</u>	The licence refers to the “Directive” in a number of conditions. This proposal will ensure that the references to the Directive are to be interpreted on the basis of the Directive as it has effect immediately before Exit Day as read with the modifications inserted into section 4AA(5B) of the Gas Act 1986 by regulation 8 of the Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019 <sup>1</sup> (the “Regulations”).
1	New definition	<u>“Exit Day” has the same meaning as that given in section 20(1) of the European Union (Withdrawal) Act 2018;</u>	This new definition is required to give effect to the revised definition of “Directive”.
1	New definition	<u>“legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators” means any relevant legally binding decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so</u>	The licence contains references to this phrase. Post EU exit, future decisions of the Commission and the Agency will no longer have any legal effect in the UK. However, decisions made prior to Exit Day are to continue to have effect. The introduction of these new

<sup>1</sup>The Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019 were published in draft on 17<sup>th</sup> December 2018 (<https://assets.publishing.service.gov.uk/media/5c17d12140f0b60c70c4ba79/Regulations.pdf>) and have been laid in draft before the sifting committees of both Houses of Parliament. The modifications that are proposed to the licence are on the assumption that the draft Regulations will be made and come into force in their published format before any proposed licence modification is to take effect. Cross references to the Regulations reflect the numbering in the published draft as at the date of this notice.

Licence condition	Current wording	Proposed change	Reasons for change
		<u>much of a decision as is not, Retained EU Law;</u>	<p>definitions will achieve this.</p> <p>The terminology is consistent with the amendment that will be made by regulation 10 of the Regulations to section 4C of the Gas Act.</p>
1	New definition	<u>“Retained EU Law” has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018;</u>	This definition is required to give effect to the new definitions that include reference to “Retained EU Law”.
9.12CE	<p>Modification proposals fall within the scope of this paragraph where:</p> <ul style="list-style-type: none"> <li>a. the Authority reasonably considers the modifications are necessary to comply with or implement the Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency; and/or</li> <li>b. the modification proposal is in respect of a significant code review.</li> </ul>	<p>Modification proposals fall within the scope of this paragraph where:</p> <ul style="list-style-type: none"> <li>a. the Authority reasonably considers the modifications are necessary to comply with or implement the Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency <u>for the Co-operation of Energy Regulators;</u> and/or</li> <li>b. the modification proposal is in respect of a significant code review.</li> </ul>	This amendment aligns the wording of this condition with the wording used in the definition and other conditions for clarity.
9.23	<p>“significant code review” means a review of one or more matters which the Authority considers are likely to:</p> <ul style="list-style-type: none"> <li>a. relate to the network code and/or the</li> </ul>	<p>“significant code review” means a review of one or more matters which the Authority considers are likely to:</p> <ul style="list-style-type: none"> <li>a. relate to the network code and/or the</li> </ul>	This amendment limits the obligations to those that form part of retained EU law post EU exit.

Licence condition	Current wording	Proposed change	Reasons for change
	<p>uniform network code (either on its own or in conjunction with any other industry codes); and</p> <p>b. be of particular significance in relation to its principal objective and/or general duties (under section 4AA of the Act), statutory functions and/or relevant obligations arising under EU law; and</p> <p>concerning which the Authority has issued a notice to the parties listed in paragraphs 8(a) and 9(a) (as applicable) (among others, as appropriate) stating:</p> <p>i. that the review will constitute a significant code review;</p> <p>ii. the start date of the significant code review; and</p> <p>iii. the matters that will fall within the scope of the review.</p>	<p>uniform network code (either on its own or in conjunction with any other industry codes); and</p> <p>b. be of particular significance in relation to its principal objective and/or general duties (under section 4AA of the Act), statutory functions and/or relevant obligations arising under <u>Retained EU Law</u> <del>EU law</del>; and</p> <p>concerning which the Authority has issued a notice to the parties listed in paragraphs 8(a) and 9(a) (as applicable) (among others, as appropriate) stating:</p> <p>i. that the review will constitute a significant code review;</p> <p>ii. the start date of the significant code review; and</p> <p>iii. the matters that will fall within the scope of the review.</p>	
29.8	Notwithstanding paragraphs 1, 2, and 4 the licensee may dispose of or relinquish operational control over any transportation asset	Notwithstanding paragraphs 1, 2, and 4 the licensee may dispose of or relinquish operational control over any transportation asset or storage asset or grant a	This preserves the position so that the licensee is only required to comply where the transaction “is required

Licence condition	Current wording	Proposed change	Reasons for change
	<p>or storage asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation or directive of the Council or Commission of the European Union.</p>	<p>mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation <del>or directive</del> of the Council or Commission of the European Union <u>that has effect in EU law immediately before Exit Day.</u></p>	<p>by or under .....” retained EU regulations.</p>
30.6	<p>Subject to paragraph 8, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures in relation to the prohibition of cross-subsidies and discrimination contained in paragraph 3 of Article 31 of Directive 2009/73/EC of the European Parliament and the European Council of 13 July 2009 (“the directive”).</p>	<p>Subject to paragraph 8, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures in relation to the prohibition of cross-subsidies and discrimination contained in paragraph 3 of Article 31 of <u>the Directive 2009/73/EC of the European Parliament and the European Council of 13 July 2009.</u> (“the directive”).</p>	<p>Amended to reflect the fact that the Directive is defined in SLC1.</p>
30.9 (a) and (b)	<p>If the Authority is satisfied, with respect to a particular financial year, either; (a) that the report referred to in paragraph 7(b) demonstrates that the licensee has complied with the obligation to avoid discrimination and cross-subsidies that is referred to in paragraph 3 of Article 31 of the directive; or</p>	<p>If the Authority is satisfied, with respect to a particular financial year, either; (a) that the report referred to in paragraph 7(b) demonstrates that the licensee has complied with the obligation to avoid discrimination and cross-subsidies that is referred to in paragraph 3 of Article 31 of the <del>d</del>Directive; or</p>	<p>To ensure consistency and to clarify the reference is to the Directive as defined in SLC1.</p>

Licence condition	Current wording	Proposed change	Reasons for change
	(b) that the circumstances set out in paragraph 8 apply, then the audit requirement referred to in paragraph 4 of Article 31 of the directive will be deemed to have been met.	(b) that the circumstances set out in paragraph 8 apply, then the audit requirement referred to in paragraph 4 of Article 31 of the <del>d</del> Directive will be deemed to have been met.	
30.10	<p>In this condition:</p> <p>“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 licensee’s compliance with the obligation to avoid discrimination and cross-subsidies set out in Article 31 of the directive.</p> <p>“the directive” has the meaning given in paragraph 6 of this condition.</p>	<p>In this condition:</p> <p>“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 licensee’s compliance with the obligation to avoid discrimination and cross-subsidies set out in Article 31 of the <del>d</del>Directive.</p> <p><del>“the directive” has the meaning given in paragraph 6 of this condition.</del></p>	<p>To ensure consistency and to clarify the reference is to the Directive as defined in SLC1.</p> <p>Accordingly, we do not need to repeat the definition here.</p>
40A.2	<p><b>Vertically Integrated Undertaking</b> means a natural gas undertaking or a group of natural gas undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings perform in the European Economic Area at least one of the functions of transmission, distribution, LNG or storage, and at least one of the functions of</p>	<p><del><b>Vertically Integrated Undertaking</b> means a natural gas undertaking or a group of natural gas undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings perform in the European Economic Area at least one of the functions of transmission, distribution, LNG or storage, and at least one of the functions of</del></p>	<p>Proposed deletion of Article 2 of the Directive on the basis that section 8C of the Gas Act 1986 contains a definition of “vertically integrated undertaking”.</p>

Licence condition	Current wording	Proposed change	Reasons for change
	production or supply of natural gas. Terms within paragraph 2 of this Condition 40A shall have the meaning given to them in the Directive.	<del>production or supply of natural gas. Terms within paragraph 2 of this Condition 40A shall have the meaning given to them in the Directive</del> <u>has the meaning given in the Act.</u>	



## **Annex 8.1.b. Gas Transporter Standard Conditions Change marked Licence**

We have included the sections of the licence conditions we propose to remove or amend below. Deletions are shown in strike through and new text is double underlined.

### **Condition 1: Definitions and Interpretation**

1. In these standard conditions, unless the context otherwise requires -

“Directive” means Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC as it has effect immediately before Exit Day as read with the modifications set out in the Act;

“Exit Day” has the same meaning as that given in section 20(1) of the European Union (Withdrawal) Act 2018;

“legally binding decisions of the European decision or Commission and/or the Agency” means any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators, but a binding decision does not include a decision that is not, or so much of a decision as is not, Retained EU Law;

“Retained EU Law” has the same meaning as that given by section 6(7) of the European Union (Withdrawal);

### **Condition 9: Network Code and Uniform Network Code**

#### **Transportation Arrangements**

1. The licensee shall establish transportation arrangements, pursuant to paragraphs 2 and 5 of this condition, in respect of matters other than those to which Standard Conditions 4 (Charging of Gas Shippers - General) and 4A (Obligations as Regards Charging Methodology) relate, which are calculated, consistent with the licensee's duties under section 9 of the Act, to facilitate the achievement of the following objectives –

- a. the efficient and economic operation of the pipe-line system to which this licence relates;

- b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters;
- c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;
- d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers;
- e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers;
- f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition; and
- g. compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators,

hereinafter referred to as the “**relevant objectives**”.

1A. In paragraph 1 sub-paragraph (e), “domestic customer supply security standards” means, subject to paragraph 1B,

(a) the availability of a supply of gas which would equal the peak aggregate daily demand for gas by the relevant gas supplier’s current domestic customers which, having regard to historical weather data derived from at least the previous 50 years and other relevant factors, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years; and

(b) the availability of supplies of gas-

(i) over a year which would equal the aggregate annual demand for gas by those customers; and

(ii) over the first six months of a year which would equal the aggregate demand for gas by those customers during such a six month period,

which, in each case, having regard to such data as aforesaid and other relevant factors, is likely to be exceeded only in 1 year out of 50 years.

1B. For the purposes of paragraph 1A, “daily” means over a period beginning at 5am on one day and ending immediately before 5am on the following day and “year” means a period of 12 months beginning with 1 October; and if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and Citizens Advice and Citizens Advice

Scotland, the Authority is satisfied that the domestic supply security standard would be adequate if paragraph 1A were modified-

- (a) by the substitution, in paragraph 1A(a) or (b), of a reference to data derived from a period of less than the 50 previous years;
- (b) by the substitution in paragraph 1A(a) of a higher probability than the 1 in 20 years mentioned in that paragraph; or
- (c) by the substitution in paragraph 1A(b) of a higher probability than the 1 in 50 years mentioned in that paragraph,

the Authority may, subject to paragraph 1C, make such modifications by notice which-

- (i) is given and published by the Authority for the purposes of this condition generally; and
- (ii) specifies the modifications and the date on which they are to take effect.

1C. Paragraph 1A(a) shall only be modified if, at the same time, the Authority makes similar modifications to-

- (a) paragraph 2(b) of standard condition 16 (Pipe-line System Security Standards); and
- (b) sub-paragraph (b) of the definition of “security standards” in standard condition 1 (Definitions and Interpretation) of the standard conditions of gas shippers’ licences.

### *Network Code*

2. The licensee shall prepare a document (the “**network code**”) setting out (together with the terms of any other arrangements which the licensee considers it appropriate to set out in the document) the terms of the arrangements made in pursuance of paragraph 1 save in so far as they relate to matters regulated by standard condition 4B (Connection Charges etc) or 4C (Charging Gas Shippers – Supplemental Connection Charges) or are contained in such an agreement, or an agreement of such a class or description, as may be designated by the Authority for the purposes of this condition.
3. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, it may apply to the Authority for written consent to prepare a single network code in respect of the pipe-line systems to which those licences relate, which consent may be granted subject to such conditions as the Authority may direct.
4. The network code shall incorporate by reference the terms of the uniform network code except where the Authority consents otherwise in writing; and references in the conditions of this licence to the network code include the uniform network code (as may be varied from time to time) as so incorporated, unless otherwise stated.

### *Uniform Network Code*

5. The licensee shall, together with the other relevant gas transporters, prepare a document (the “**uniform network code**”) setting out:
  - a. the terms of transportation arrangements established by the licensee and other relevant gas transporters, to the extent that such terms are common, or are not in conflict, between relevant gas transporters; and
  - b. the network code modification procedures established pursuant to paragraph 6 including procedures required by paragraphs 12A to 12G.
- 5A. The licensee shall use reasonable endeavours to facilitate any improvements to the process by which responsibility for gas supply is transferred between gas suppliers

### *Network Code Modification Procedures*

6. The licensee shall, together with the other relevant gas transporters, establish and operate procedures (“**network code modification procedures**”), for the modification of the uniform network code and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.
7. The network code modification procedures shall provide for:
  - a. a mechanism by which
    - i. the uniform network code; and
    - ii. each of the network codes prepared by or on behalf of each relevant gas transporter, may be modified;
  - b.
    - i. the making of proposals for the modification of the uniform network code in accordance with paragraph 8; and/or
    - ii. the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 9(a);
  - c. the making of alternative modification proposals in accordance with paragraphs 8(b) and 9(b);
  - d. the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters and all relevant shippers and sending a copy of the proposal to any person who asks for one;
- dA. proper evaluation of the suitability of the self-governance route (in accordance with paragraph 12D) for a particular modification proposal;

- dB. during a significant code review phase, proper evaluation of the relevance of the significant code review to a particular modification proposal;
- e. the seeking of the views of the Authority on any matter connected with any such proposal;
  - f. the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented;
  - g. a proposed implementation date to be either:
    - (i) in accordance with any direction(s) issued by the Authority under paragraph 7(k)(iii); or
    - (iii) where no direction has been issued by the Authority under paragraph 7(k)(iii),such as to enable any modification proposal to be made as soon as practicable after receipt of a direction under paragraph 12(b);
  - h. establishing and maintaining, in accordance with such procedures for appointment or election as may be specified, a panel (the “**panel**”) which is to be responsible, by way of proceedings as may be specified, for the governance and administration of the uniform network code;
- hA. a secretarial or administrative person or body, as specified in the uniform network code, to perform the role of code administrator (the “code administrator”). In addition to any powers, duties or functions set out in the uniform network code, the code administrator shall:
- (i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);
  - (ii) facilitate the network code modification procedures;
  - (iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice; and
  - (iv) provide assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, small participants) and, to the extent relevant, consumer representatives that request the code administrator’s assistance in relation to the uniform network code including, but not limited to, assistance with:
    - drafting a modification proposal;
    - understanding the operation of the uniform network code;
    - their involvement in, and representation during, the modification procedure processes (including but not limited to code panel and/or workgroup meetings);
    - accessing information relating to modification proposals and/or modifications.

- i. where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable;
- j. modification proposals made by the Authority or the licensee in accordance with paragraphs 8(a) and 9(a):
  - (i) to be accepted into the network code modification procedures by the panel;
  - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent;
  - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 7(k);
- k. compliance by the licensee and (where applicable) the panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to a modification within the scope of paragraph 12CE) for the:
  - (i) licensee to raise a modification proposal; and/or
  - (ii) completion of each of the procedural steps outlined in this paragraph 7 or paragraph 12CC, to the extent that they are relevant; and/or
  - (iii) implementation of a modification;
- l. each of the procedural steps outlined in this paragraph 7, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 7(k); and
- m. the network code modification procedures to be consistent with the principles set out in the Code of Practice, to the extent that they are relevant

8. In respect of the uniform network code:

- a. a modification proposal may be made by the following:
  - i. the licensee;
  - ii. any other relevant gas transporter;
  - iii. any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;
  - iv. any other relevant person (a "**third party participant**") identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; and/or
  - v. the Authority (in relation only to modifications within the scope of paragraph 12CE); and

- b. where a modification proposal has been made under paragraph 8(a) (an “**original proposal**”) alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 8(a) with the exception of the person who made the original proposal.
9. In respect of each network code (excluding the terms of the uniform network code incorporated within it):
- a. a modification proposal may be made by one of the following:
    - i. the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates;
    - ii. any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;
    - iii. a third party participant; or
    - iv. the Authority (in relation only to modifications within the scope of paragraph 12CE); and
  - b. where a modification proposal has been made under paragraph 9(a) in respect of any such original proposal, by any of the parties listed in paragraph 9(a) with the exception of the person who made the original proposal.

*Modification of Network Code and the Uniform Network Code*

10. The licensee shall not make or permit any modification to the network code or to the uniform network code except:
- a. to comply with paragraph 12(b), 12CC(b)(i) or 13; or
  - b. with the written consent of the Authority;
  - c. in accordance with paragraph 12D (the “self-governance route”); or
  - d. in accordance with paragraph 12G (the “fast track self-governance route”),

and shall furnish the Authority with a copy of any such modification made.

11. Where:

- a. the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from the conveyance of gas through the pipe-line system to which this licence relates; and
- b. modification to the network code and/or the uniform network code could, consistent with the relevant objectives, appropriately deal with the matter, the licensee shall propose such a modification in accordance with the network code modification procedures, and any



requirement that a modification be such as to better facilitate the achievement of the relevant objectives shall be treated as met if the modification is consistent with those objectives.

12. Where a proposal is made in accordance with the network code modification procedures to modify the network code or the uniform network code the licensee shall:

- a. except in the case of a modification falling within the scope of paragraph 12CB or 12G, as soon as is reasonably practicable, and no later than the time specified in the network code modification procedures, give notice to the Authority:
  - i. giving particulars of the proposal;
  - ii. where an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;
  - iii. giving particulars of any representations by the licensee, any relevant shipper or any other person with respect to those proposals;
  - iv. including a recommendation (or, in the case of a proposal falling within the scope of paragraph 12D, a determination) by the panel as to whether any proposed modification should or should not be made, and the factors which (in the opinion of such body) justify the making or not making of a proposed modification, which shall include:
    - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and
    - (bb) where the impact is likely to be material, the evaluation of the proposed modification in respect of the relevant objectives shall include an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time; and
  - v. giving such further information as may be required to be given to the Authority by the network code modification procedures; and
- b. without prejudice to paragraph 12F, except in the case of a modification falling within the scope of paragraph 12D or 12G, comply with any direction of the Authority:
  - i. to make a modification to the network code and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under paragraph 12(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or
  - ii. to revise and re-submit a report provided in accordance with paragraph 12(a) where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph 12(b)(i).



### *Significant code reviews*

12A. Without prejudice to paragraph 12CB, the network code modification procedures shall provide that proposals for the modification of the network code and/or the uniform network code falling within the scope of a significant code review may not be made during the significant code review phase, except:

- a. where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
- b. at the direction of, or by, the Authority.

12B. The network code modification procedures shall provide that, where a modification proposal is made during a significant code review phase the panel shall:

- a. unless exempted by the Authority, notify the Authority as soon as practicable of:
  - i. any representations received in relation to the relevance of the significant code review; and
  - ii. the panel's assessment of, whether the proposal falls within the scope of the significant code review and its reasons for that assessment; and
- b. if the Authority so directs, not proceed with the modification proposal until the significant code review phase has ended.

12C. The network code modification procedures shall provide that if within twenty-eight (28) days after the Authority has published its significant code review conclusions:

- a. the Authority issues directions to the licensee, the licensee shall comply with those directions and shall treat the significant code review phase as ended;
- b. the Authority issues to the licensee a statement that no directions under sub-paragraph (a) will be issued in relation to the network code and/or the uniform network code, the licensee shall treat the significant code review phase as ended;
- ba. the Authority raises a modification proposal in accordance with paragraph 8(a)(v) or 9(a)(iv), the licensee shall treat the significant code review phase as ended;
- bb. the Authority issues a statement that it will continue work on the significant code review, the licensee shall treat the significant code review phase as continuing until it is brought to an end in accordance with paragraph 12CA;
- c. neither directions under sub-paragraph (a), nor a statement under sub-paragraph (b) or (bb) have been issued, nor a modification proposal under sub-paragraph (ba) has been made, the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee/relevant gas transporter(s), will not fetter any voting rights of the members of the panel or the procedures informing the recommendation described at paragraph 12(a)(iv).

- 12CA. The network code modification procedures shall provide that, if the Authority issues a statement under sub-paragraph 12C(bb) and/or a direction in accordance with paragraph 12CD, the significant code review phase will be deemed to have ended when:
- a. the Authority issues a statement that the significant code review phase has ended;
  - b. one of the circumstances in sub-paragraphs 12C(a) or (ba) occurs (irrespective of whether such circumstance occurs within twenty-eight (28) days after the Authority has published its significant code review conclusions); or
  - c. the Authority makes a decision consenting, or otherwise, to the modification of the network code pursuant to paragraph 12CC(c)(i).
- 12CB. The network code modification procedures shall provide that, where the Authority has issued a statement in accordance with sub-paragraph 12C(bb) and/or a direction in accordance with paragraph 12CD, the Authority may submit a modification proposal for a modification falling within the scope of sub-paragraph 12CE(b) to the panel.
- 12CC. The network code modification procedures shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 12CB:
- a. for the licensee to give notice to the Authority:
    - i. including a recommendation by the panel as to whether the proposed modification should or should not be made, and the factors which (in the opinion of such body) justify the making or not making of the proposed modification, which shall include:
      - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and
      - (bb) where the impact is likely to be material, an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;
    - ii. giving such further information as may be required to be given to the Authority by the network code modification procedures;
  - b. for the licensee to comply with any direction of the Authority:
    - i. to make a modification to the network code and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under sub-paragraph 12CC(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or

- ii. to revise and re-submit a report provided in accordance with sub-paragraph 12CC(a) where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph 12CC(b)(i);
- c. for each of the procedural steps outlined in this paragraph 12CC, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 7(k).

The Authority's published conclusions and significant code review modification proposal shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the recommendation described at sub-paragraph 12CC(a)(i).

12CD. The network code modification procedures shall provide that, where a proposal has been raised in accordance with paragraph 12C(a) or 7(k), or by the Authority under paragraph 12C(ba) and it falls within the scope of paragraph 12CE(b), the Authority may issue a direction (a "backstop direction"), which requires such proposal(s) and any alternatives to be withdrawn and which causes the significant code review phase to recommence.

12CE. Modification proposals fall within the scope of this paragraph where:

- a. the Authority reasonably considers the modifications are necessary to comply with or implement the Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and/or
- b. the modification proposal is in respect of a significant code review.

### *Self-governance*

12D. The network code modification procedures shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 12D (the "self-governance route") where:

- a.
  - (i) in the view of the panel, the modification proposal meets all of the self-governance criteria and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or
  - (ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and
- b. unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 12D(d); and
- c. the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 12D(d); and
- d. the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 12D(b), determined that the modification proposal should be implemented on the basis that it would, as compared with the then existing provisions of the network code and/or the uniform network code and any other modifications proposed in accordance with paragraph 8(b), better facilitate the achievement of the relevant objective(s); and

- e.
  - (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 12D(d) in respect of such modification proposal in accordance with paragraph 12E; or
  - (ii) an appeal has been raised in respect of such a modification proposal in accordance with paragraph 12E and the Authority has not quashed the panel's determination referred to at paragraph 12D(d) of this condition (and either remitted the relevant modification proposal back to the panel for reconsideration or taken the decision on the relevant modification proposal itself following the appeal).

12E. The network code modification procedures shall provide that those persons set out at paragraphs 8(a) and 9(a) (as applicable) may appeal to the Authority the approval or rejection by the panel of a modification proposal falling under the self-governance route, provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the network code modification procedures and, in the opinion of the Authority:

- a.
  - (i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification proposal; or
  - (ii) the appeal is on the grounds that:
    - (1) in the case of implementation, the modification may not better facilitate the achievement of at least one of the relevant objectives; or
    - (2) in the case of non-implementation, the modification may better facilitate the achievement of at least one of the relevant objectives; and
- b. the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

12F. The network code modification procedures shall provide that:

- a. where an appeal has been raised in respect of a modification proposal in accordance with paragraph 12E, that modification proposal shall be treated in accordance with any decision and/or direction of the Authority following that appeal; and
- b. if the Authority quashes the panel's determination referred to at paragraph 12D(d) of this condition and takes the decision on the relevant modification proposal itself following an appeal in accordance with paragraph 12E, the panel's determination of that modification shall be treated as a recommendation under sub-paragraph 12(a)(iv).

12G. The network code modification procedures shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 12G (the "fast track self-governance route") where:

- a. in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;

- b. the panel unanimously determines that the modification should be made;
  - c. parties to the uniform network code and the Authority; have been notified of the proposed modification;
  - d. none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
  - e. notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.
13. Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the network code and/or the uniform network code as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Condition 4E (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code).
14. The licensee shall provide a copy of the network code and the uniform network code as modified from time to time on a web-site freely available to all interested parties (the web-site address of which shall be given adequate publicity).

#### *Determinations by the Authority*

15. Where a provision of the network code and/or the uniform network code requires that, in circumstances specified in the provision, a determination by the licensee pursuant to that provision in a particular case should be such as is calculated to facilitate the achievement of the relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.
16. The network code modification procedures shall provide that any question arising under those procedures as to:
- a. whether a gas shipper or other person is likely to be materially affected by a proposal to modify the network code and/or the uniform network code were it to be implemented; or
  - b. whether representations relating to such a proposal and made in pursuance of the rules have been properly considered by the licensee;
- shall be determined by the Authority.
17. Following a direction under paragraph 12(b), the implementation date may be altered with the consent of, or as directed by the Authority.

### *Joint Governance Arrangements*

18. The licensee shall:

- a. together with all other relevant gas transporters, establish, develop and operate (or otherwise procure the operation of (including without limitation on a sub-contracted basis)) arrangements (“**joint governance arrangements**”) for:
  - i. the administration of the network code modification procedures;
  - ii. giving effect to the provisions of Standard Conditions 4 (Charging of Gas Shippers - General) and 4A (Obligations as Regards Charging Methodology) relating to the administering of the coordination of the modification of the licensee’s and the other relevant gas transporters’ respective charges or reserve prices or charging methodologies (as the case may be);
  - iii. the administration of such matters as are provided for in the uniform network code to be implemented by the relevant gas transporters on a common, joint or coordinated basis;
  - iv. so far as is consistent with sub-paragraphs (i) to (iii), the promotion of efficiency in the implementation and administration of the network code and/or uniform network code; and
  - v. such other matters as they may decide, subject to their licence and statutory obligations;
- b. enter into an agreement (“**JGA agreement**”) with the other relevant gas transporters, providing for the establishment and operation of the joint governance arrangements;
- c. provide to the Authority a copy of the JGA agreement and each amendment thereof; and
- d. publish a copy of the JGA agreement as modified from time to time, with the exception of information agreed in writing as being confidential by the Authority.

19. The joint governance arrangements shall, without limitation, be such as are calculated, consistent with the efficient discharge of each relevant gas transporter's obligations under the Act and its respective licence:

- a. to ensure compliance with the network code modification procedures;
- b. so far as consistent with sub-paragraph (a), to promote efficiency in the administration of the network code modification procedures and the other matters subject to the JGA agreement; and
- c. to avoid undue discrimination or preference as between the relevant gas transporters.

### *Miscellaneous*

20. If the Authority so consents, this condition shall have effect as if the definition of “**transportation arrangements**” in Standard Condition 1 (Definitions and Interpretation) referred only to gas consisting wholly or mainly of methane.
21. In this condition “**relevant gas transporter**” shall mean the holder of a GT licence, for whom this condition is in effect.
22. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition including, but not limited to, modifying the uniform network code where necessary no later than 31 March 2017.

23. In this condition:

“Code of Practice” means the Code Administration Code of Practice approved by the Authority and:

- (a) developed and maintained by the code administrators in existence from time to time; and
- (b) amended subject to the Authority’s approval from time to time; and
- (c) re-published from time to time.

“directions” means, in the context of paragraph 12C(a), direction(s) issued following publication of significant code review conclusions which will contain:

- (i) instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal;
- (ii) the timetable for the licensee to comply with the Authority’s direction(s); and
- (iii) the Authority’s reasons for its direction(s).

“fast track self-governance criteria” means that a proposal, if implemented,

- a. would meet the self-governance criteria; and
- b. is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:
  - i. updating names or addresses listed in the network code and/or the uniform network code;
  - ii. correcting minor typographical errors;



- iii. correcting formatting and consistency errors, such as paragraph numbering; or
- iv. updating out of date references to other documents or paragraphs.

"self-governance criteria" means that a proposal, if implemented,

a. is unlikely to have a material effect on:

- i. existing or future gas consumers;
- ii. competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes;
- iii. the operation of one or more pipe-line system(s);
- iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- v. the network code modification procedures; and

b. is unlikely to discriminate between different classes of parties to the uniform network code / relevant gas transporters or gas shippers.

“self-governance statement” means the statement made by the panel and submitted to the Authority in accordance with paragraph 12D(a)(i);

- a. confirming that, in its opinion, the self-governance criteria are met and the modification is suitable for the self-governance route; and
- b. the panel’s reasons for that opinion.

“significant code review” means a review of one or more matters which the Authority considers are likely to:

- a. relate to the network code and/or the uniform network code (either on its own or in conjunction with any other industry codes); and
- b. be of particular significance in relation to its principal objective and/or general duties (under section 4AA of the Act), statutory functions and/or relevant obligations arising under Retained EU law EU Law; and

concerning which the Authority has issued a notice to the parties listed in paragraphs 8(a) and 9(a) (as applicable) (among others, as appropriate) stating:

- i. that the review will constitute a significant code review;



- ii. the start date of the significant code review; and
- iii. the matters that will fall within the scope of the review.

“significant code review phase” means the period

- a. commencing either:
  - i. on the start date of a significant code review as stated by the Authority; or
  - ii. on the date the Authority makes a direction under paragraph 12CD (a “backstop direction”);

and

- b. ending in one of the following ways:
  - i. on the date on which the Authority issues a statement under sub-paragraph 12C(b) that no directions will be issued in relation to the network code and/or the uniform network code; or
  - ii. if no statement is made under sub-paragraph 12C(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under sub-paragraph 12C(a), or the Authority makes a modification proposal under sub-paragraph 12C(ba); or
  - iii. immediately under sub-paragraph 12C(c) if neither a statement, a modification proposal nor directions are made by the Authority within (and including) twenty eight (28) days from the Authority’s publication of its significant code review conclusions, or
  - iv. if a statement has been made under paragraph 12C(bb) or a direction has been made under paragraph 12CD (a “backstop direction”), on the date specified in accordance with paragraph 12CA.

“small participant” means

- a. a shipper, a supplier, or new entrant to the gas market in Great Britain that can demonstrate to the code administrator that it is resource-constrained and, therefore, is in particular need of assistance;
- b. any other participant or class of participant that the code administrator considers to be in particular need of assistance; and
- c. a participant or class of participant that the Authority has notified the code administrator as being in particular need of assistance.

#### **Condition 29: Disposal of Assets and restrictions on charges over Receivables**

- 1. The licensee shall not dispose of or relinquish operational control over any transportation asset or storage asset otherwise than in accordance with the provisions of this condition.

2. Subject to paragraph 3, the licensee must not, after 1 April 2013, grant any mortgage, charge, or other form of security over any receivable except in accordance with the provisions of this condition.
3. The licensee may permit any mortgage, charge, or other form of security over any receivable in effect at the date mentioned in paragraph 2 to remain in effect and may vary its terms so long as the variation does not have the effect of materially extending the scope of the mortgage, charge, or other form of security insofar as it applies to the licensee's receivables.
4. Save as provided in paragraphs 5, 6, or 8, the licensee shall give to the Authority not less than two months' prior written notice of:
  - (a) its intention to dispose of or relinquish operational control over any transportation asset or storage asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset; or
  - (b) its intention to grant any mortgage, charge, or other form of security over any receivable or class or classes of receivables together with such further information as the Authority may request relating to such receivable, class or classes of receivables or the circumstances of the intended grant of the mortgage, charge or other form of security.
5. Notwithstanding paragraphs 1 and 4(a), the licensee may dispose of or relinquish operational control over a transportation asset or storage asset where:
  - (a) the Authority has issued directions for the purposes of this condition generally containing a general consent (whether or not subject to conditions) to:
    - (i) transactions of a specified description; or
    - (ii) the disposal of or relinquishment of operational control over an asset of a specified description; and
  - (b) the transaction or the assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject.
6. Notwithstanding paragraphs 2 and 4(b), the licensee may grant a mortgage, charge, or other form of security over a Receivable or class or classes of Receivables where:
  - (a) the indebtedness of the licensee which is to be secured represents the novation or rollover of existing indebtedness; and
  - (b) the proceeds of the indebtedness of the licensee which is to be secured are used to repay the existing indebtedness referred to in sub-paragraph (a).
7. For the purposes of paragraph 6, what is meant in any particular case by:
  - (a) "existing indebtedness"; and

(b) “proceeds of the indebtedness”

is to be treated as a question of fact.

8. Notwithstanding paragraphs 1, 2, and 4 the licensee may dispose of or relinquish operational control over any transportation asset or storage asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation or ~~directive~~ of the Council or Commission of the European Union that has effect in EU law immediately before Exit Day.
9. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any transportation asset or storage asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable as is specified in any notice given by the licensee under paragraph 4 where:
  - (a) the Authority confirms in writing that it consents to such disposal or relinquishment or grant (which consent may be made subject to acceptance, by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify); or
  - (b) the Authority does not inform the licensee in writing of any objection to such disposal, relinquishment or grant within the notice period referred to in paragraph 4.
10. If a transportation asset comprises a significant part of the gas conveyance system in Great Britain, notwithstanding that a disposal of or relinquishment of operational control over the asset is permitted under paragraph 5, 8 or 9, the licensee shall notify the Secretary of State at least 60 days in advance of the proposed disposal of or relinquishment of operational control over the asset; and if the Secretary of State directs the licensee, within 30 days of such notification, not to proceed with the disposal of or the relinquishment of operational control over the asset, the licensee shall comply with the direction.
11. In this condition -
 

“disposal” means:

  - (a) in relation to disposal of a transportation asset or storage asset situated in England and Wales includes any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge, or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition;
  - (b) in relation to disposal of a transportation asset or storage asset situated in Scotland includes the grant of any disposition, conveyance, contract of excambion, any lease, assignment, licence, the grant of any right of possession, loan, standard security, floating charge to a third party, or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land and “dispose” and cognate expressions shall be construed accordingly;

“receivable” means a contractual right to receive any sum or sums or any other financial asset from another person;

“storage asset” means -

- (a) an offshore gas storage installation;
- (b) storage cavities in natural strata;
- (c) containers for the storage of gas in a liquid state,

or anything used in connection with the provision of such facilities;

“transportation asset” means any part of the licensee’s pipe-line system or any part of any facility being one -

- (i) used by the licensee only for the diurnal storage of gas or for the storage of gas in connection with the operation of its independent systems; and
- (ii) required for the proper performance of its duty under section 9(1) of the Act,

together with any estate or interest in land required for the utilisation of that system or of such a facility.

12. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons and to the extent to which there is competition in relation to the storage of gas in particular categories of the facilities mentioned in sub-paragraph (a), (b) or (c) of the definition of “storage asset” in paragraph 11, considers it appropriate that that definition should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally.

### **Condition 30: Accounts**

1. The provisions of this condition have effect from 1 August 2016.

#### **Preparation and availability of accounts**

- 2. The licensee shall draw up, submit to audit and publish its annual accounts in accordance with any obligations to which it is subject under the Companies Act 2006, as amended.
- 3. To the extent that the licensee is not subject to an obligation to draw up and submit to audit annual accounts under the Companies Act 2006, as amended, the licensee shall draw up and submit to audit annual accounts as if it were a limited company within the meaning of sections 1 and 3 of the Companies Act 2006.
- 4. The licensee shall keep a copy of its annual accounts at the disposal of the public at its principal place of business if it is not required to file those accounts at Companies House under the Companies Act 2006, as amended.

#### **Internal accounting**

5. The licensee, in its internal accounting, shall:

- (a) keep separate accounts for any gas distribution, transmission and storage activities it carries out, as if such activities were carried out by separate undertakings, to avoid discrimination, cross-subsidisation and the distortion of competition; and
- (b) keep accounts (which may be consolidated) for other activities not relating to gas distribution, transmission and storage, in each case, sufficient to allow for the preparation of a balance sheet and a profit and loss account for the activity or set of activities concerned.

### **Audit requirement**

- 6. Subject to paragraph 8, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures in relation to the prohibition of cross-subsidies and discrimination contained in paragraph 3 of Article 31 of ~~the Directive 2009/73/EC of the European Parliament and the European Council of 13 July 2009~~ (“~~the directive~~”).
- 7. Subject to paragraph 8, the contract of appointment referred to in paragraph 6 must provide for the appropriate auditor to:
  - (a) carry out agreed upon procedures in relation to each financial year that begins after the date specified in paragraph 1; and
  - (b) address a report to the Authority by 31 July following the end of each such financial year which:
    - (i) states that they have completed the agreed upon procedures in a manner consistent with relevant auditing standards; and
    - (ii) sets out their findings in respect of the financial year under report.
- 8. The licensee need not enter into the contract of appointment referred to in paragraph 6 in respect of a particular financial year if:
  - (a) during the whole of the financial year the licensee does not carry out any gas transmission or storage activities; and
  - (b) by 31 July following the end of the financial year, the licensee submits to the Authority a certificate that has been signed by a director of the licensee and includes the following wording:

“During the financial year beginning on 1 April [ ] the licensee has not carried out any gas transmission or storage activities.”
- 9. If the Authority is satisfied, with respect to a particular financial year, either:
  - (a) that the report referred to in paragraph 7(b) demonstrates that the licensee has complied with the obligation to avoid discrimination and cross-subsidies that is referred to in paragraph 3 of Article 31 of the ~~d~~Directive; or

(b) that the circumstances set out in paragraph 8 apply, then the audit requirement referred to in paragraph 4 of Article 31 of the ~~the~~ Directive will be deemed to have been met.

## Interpretation

10. In 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 licensee’s compliance with the obligation to avoid discrimination and cross-subsidies set out in Article 31 of the ~~the~~ Directive.

“appropriate auditor”

means:

- (a) in the case of a licensee that is a company within the meaning of section 1 of the Companies Act 2006 a person appointed as auditor under Chapter 2 of Part 16 of that Act;
- (b) in the case of any other licensee that is required by the law of a country or territory within the European Economic Area appoint an auditor under provisions analogous to those of 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 Part 42 of the Companies Act 2006.

~~“the directive”~~

~~has the meaning given in paragraph 6 of this condition.~~

## Condition 40A. Notification of Vertical Integration

40A.1. The licensee shall notify the Authority in the event that it becomes part of a Vertically Integrated Undertaking.

40A.2. For the purposes of this condition:

**“Vertically Integrated Undertaking”** has the meaning given in the Act.  
~~. means a natural gas undertaking or a group of natural gas undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings perform in the European Economic Area at least one of the functions of transmission, distribution, LNG or storage, and at least one of the functions of production or supply of natural gas. Terms within paragraph 2 of this Condition 40A shall have the meaning given to them in the Directive.~~

### Annex 8.2.a. Gas Transporter Standard Special Conditions Modification Table

Licence condition	Current wording	Proposed change	Reasons for change
A3	the “Directive” means Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC;	the “Directive” means Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC <u>as it has effect immediately before Exit Day as read with the modifications set out in the Act;</u>	The licence refers to the Directive in a number of conditions. This proposal will ensure that the references to the Directive are to be interpreted on the basis of the Directive as it has effect immediately before Exit Day as read with the modifications inserted into section 4AA(5B) of the Gas Act 1986 by regulation 8 of the Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019 <sup>2</sup> (the “Regulations”).
A3	New definition	<u>“Exit Day” has the same meaning as that given in section 20(1) of the European Union (Withdrawal) Act 2018;</u>	This new definition is required to give effect to the revised definition of “Directive”.
A3	New definition	<u>“legally binding decisions of the European Commission and/or the Agency” means any relevant legally binding decision or decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not,</u>	The licence contains references to both of these phrases. Post EU exit, future decisions of the Commission and the Agency will no longer have any legal effect in the UK. However, decisions made prior to Exit Day are to continue

<sup>2</sup>The Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019 were published in draft on 17<sup>th</sup> December 2018 (<https://assets.publishing.service.gov.uk/media/5c17d12140f0b60c70c4ba79/Regulations.pdf>) and have been laid in draft before the sifting committees of both Houses of Parliament. The modifications that are proposed to the licence are on the assumption that the draft Regulations will be made and come into force in their published format before any proposed licence modification is to take effect. Cross references to the Regulations reflect the numbering in the published draft as at the date of this notice.



Licence condition	Current wording	Proposed change	Reasons for change
		<u>or so much of a decision as is not, Retained EU Law;</u>	to have effect. The introduction of these new definitions will achieve this.  The terminology is consistent with the amendment that will be made by regulation 10 of the Regulations to section 4C of the Gas Act.
A3	New definition	<u>“Retained EU Law” has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018;</u>	This definition is required to give effect to the new definitions that include reference to “Retained EU Law”.
A11.24	<p><b>“significant code review”</b> means a review of one or more matters which the Authority considers are likely to:</p> <p>(a) relate to the uniform network code (either on its own or in conjunction with other industry codes); and</p> <p>(b) be of particular significance in relation to its principal objective and/or general duties (under section 4AA of the Act), statutory functions and/or relevant obligations arising under EU law; and</p> <p>concerning which the Authority has issued a notice to the parties listed in paragraph 10(a)(i-iv) (among others, as appropriate) stating:</p>	<p><b>“significant code review”</b> means a review of one or more matters which the Authority considers are likely to:</p> <p>(a) relate to the uniform network code (either on its own or in conjunction with other industry codes); and</p> <p>(b) be of particular significance in relation to its principal objective and/or general duties (under section 4AA of the Act), statutory functions and/or relevant obligations arising under <u>Retained EU Law</u> <del>EU law</del>; and</p> <p>concerning which the Authority has issued a notice to the parties listed in paragraph 10(a)(i-iv) (among others, as appropriate) stating:</p>	This amendment limits the obligations to those that form part of retained EU law post EU exit.

Licence condition	Current wording	Proposed change	Reasons for change
	<p>(i) that the review will constitute a significant code review; (ii) the start date of the significant code review; and (iii) the matters that will fall within the scope of the review.</p>	<p>(i) that the review will constitute a significant code review; (ii) the start date of the significant code review; and (iii) the matters that will fall within the scope of the review.</p>	
A27.9	<p>Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any transportation asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation or directive of the Council or Commission of the European Union.</p>	<p>Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any transportation asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a <del>regulation or directive</del> of the Council or Commission of the European Union <u>that has effect in EU law immediately before Exit Day.</u></p>	<p>This preserves the position so that the licensee is only required to comply where the transaction “is required by or under ....” retained EU regulations.</p>
B3.1	<p>The licensee shall build sufficient cross-border capacity to integrate European transmission infrastructure accommodating all economically reasonable and technically feasible demands for capacity and taking into account security of gas supply. The terms used in this Condition shall have the meaning given to them by the Directive.</p>	<p>The licensee shall build sufficient cross-border capacity to integrate <u>cross-border</u> <del>European</del> transmission infrastructure accommodating all economically reasonable and technically feasible demands for capacity and taking into account security of gas supply. The terms used in this Condition shall have the meaning given to them by the Directive.</p>	<p>Condition updated to remove reference to European specific infrastructure and replace it with a reference to cross-border transmission infrastructure.</p>

Licence condition	Current wording	Proposed change	Reasons for change
B4.1	Where the licensee has made or makes an application for certification under section 8D of the Act, if at any time prior to the Authority notifying the licensee of its final certification decision under section 8F(7) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.	Where the licensee has made or makes an application for certification under section 8D of the Act, if at any time prior to the Authority notifying the licensee of its <del>final</del> certification decision under section 8F( <del>7</del> 4) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.	Amendments in line with regulation 16 of the Regulations which amends section 8G of the Gas Act.
B4.3	“If at any time from 3 March 2013 the licensee knows or reasonably should know that any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a third country, or that a person from a third country has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.	If at any time <del>from 3 March 2013</del> the licensee knows or reasonably should know that any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a <del>third</del> country <u>outside the United Kingdom</u> , or that a person from a <del>third</del> country <u>outside the United Kingdom</u> has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.	Propose deletion of “from 3 March 2013” to reflect the amendments to sections 8D and 8K of the Gas Act made by regulations 12(a) and 18(2)(a) of the Regulations.  Updated reference to “third country” to “country outside the United Kingdom” to reflect the amendments to section 8Q of the Gas Act made by regulation 22(b) and (c) of the Regulations. This is to reflect the fact that post EU Exit, the EU will become a “third country”.

Licence condition	Current wording	Proposed change	Reasons for change
B4.5 (b)	(b) whether any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a person from a third country, or a person from a third country has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified, providing that the licensee is only required to provide a written declaration under this paragraph (b) in relation to a period that occurs after 3 March 2013; and	(b) whether any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a <del>third</del> country <u>outside the United Kingdom</u> , or a <del>third</del> country <u>outside the United Kingdom</u> has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified, <del>providing that the licensee is only required to provide a written declaration under this paragraph (b) in relation to a period that occurs after 3 March 2013;</del> and	Updated reference to "third country" to "country outside the United Kingdom" to reflect the amendments to section 8Q of the Gas Act made by regulation 22(b) and (c) of the Regulations. This is to reflect the fact that post EU Exit, the EU will become a "third country".  Propose deletion of component relating to "3 March 2013" to reflect the amendments to sections 8D and 8K of the Gas Act made by regulations 12(a) and 18(2)(a) of the Regulations.
B4.6	In this condition: "certified" has the same meaning as in section 8Q of the Act; "control" has the same meaning as in section 8Q of the Act; "person from a third country" has the same meaning as in section 8Q of the Act; "relevant date" has the same meaning as in section 8O of the Act; "shareholder right" has the same meaning as in section 8Q of the Act.	In this condition: "certified" has the same meaning as in section 8Q of the Act; "control" has the same meaning as in section 8Q of the Act; "person from a <del>third</del> country <u>outside the United Kingdom</u> " has the same meaning as in section 8Q of the Act; "relevant date" has the same meaning as in section 8O of the Act; "shareholder right" has the same meaning as in section 8Q of the Act.	Updated reference to "third country" to "country outside the United Kingdom" to reflect the amendments to section 8Q of the Gas Act made by regulation 22(b) and (c) of the Regulations. This is to reflect the fact that post EU Exit, the EU will become a "third country".
B5	1. If the licensee is a vertically integrated undertaking it may participate in a joint	1. If the licensee is a vertically integrated undertaking it may participate in a joint	Proposed deletion of reference to Article 7 of the Directive as in our view, the reference to

Licence condition	Current wording	Proposed change	Reasons for change
	<p>undertaking established for the purposes of facilitating regional co-operation pursuant to Article 7 of the Directive and Article 12 of the Regulation.</p> <p>2. The compliance officer of the licensee appointed under Standard Special Condition A34 (Appointment of Compliance Officer) shall, in addition to the duties assigned to him under that condition, monitor compliance with a compliance programme which must be established and implemented by the joint undertaking to ensure that discrimination and anti-competitive conduct is excluded.</p> <p>3. In this condition: “vertically integrated undertaking” has the meaning given in Article 2 of the Directive.</p>	<p>undertaking established for the purposes of facilitating regional co-operation <u>with member States</u>, pursuant to <del>Article 7 of the Directive and Article 12 of the Regulation</del>.</p> <p>2. The compliance officer of the licensee appointed under Standard Special Condition A34 (Appointment of Compliance Officer) shall, in addition to the duties assigned to him under that condition, monitor compliance with a compliance programme which must be established and implemented by the joint undertaking to ensure that discrimination and anti-competitive conduct is excluded.</p> <p>3. In this condition: “vertically integrated undertaking” has the meaning given in <del>Article 2 of the Directive</del> <u>the Act</u>.</p>	<p>Article 7 will not operate effectively post EU Exit.</p> <p>Regulation 151 of the draft Regulations amends the Gas Regulation by omitting Article 12. This amendment reflects that omission.</p>

## **Annex 8.2.b. Gas Transporter Standard Special Conditions Change Marked Licence**

We have included the sections of the licence conditions we propose to remove or amend below. Deletions are shown in strike through and new text is double underlined.

### **Standard Special Condition A3: Definitions and Interpretation**

“the Directive” means Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC as it has effect immediately before Exit Day as read with the modifications set out in the Act;

“Exit Day” has the same meaning as that given in section 20(1) of the European Union (Withdrawal) Act 2018;

“legally binding decisions of the European Commission and/or the Agency” means any relevant legally binding decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so much of a decision as is not, Retained EU Law;

“Retained EU Law” has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018;

### **Standard Special Condition A11: Network Code and Uniform Network Code**

#### *Transportation Arrangements*

1. The licensee shall establish transportation arrangements, pursuant to paragraphs 3 and 6 of this condition which, in respect of matters other than those to which the UNC charging methodologies

relate, are calculated, consistent with the licensee's duties under section 9 of the Act, to facilitate the achievement of the following objectives –

- (a) the efficient and economic operation of the pipe-line system to which this licence relates;
- (b) so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;
- (c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;
- (d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:
  - (i) between relevant shippers;
  - (ii) between relevant suppliers; and/or
  - (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;
- (e) so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers;
- (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;
- (g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and
- (h) in relation to:
  - (i) the connection charging methodology, the relevant objectives listed in paragraph 5 of Standard Condition 4B; or
  - (ii) the charging methodologies regulated by Standard Special Condition A5, the relevant objectives listed in paragraph 5 of Standard Special Condition A5.



1A. In paragraph 1 sub-paragraph (e), “domestic customer supply security standards” means, subject to paragraph 1B,

(a) the availability of a supply of gas which would equal the peak aggregate daily demand for gas by the relevant gas supplier’s current domestic customers which, having regard to historical weather data derived from at least the previous 50 years and other relevant factors, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years; and

(b) the availability of supplies of gas-

(i) over a year which would equal the aggregate annual demand for gas by those customers; and

(ii) over the first six months of a year which would equal the aggregate demand for gas by those customers during such a six month period,

which, in each case, having regard to such data as aforesaid and other relevant factors, is likely to be exceeded only in 1 year out of 50 years.

1B. For the purposes of paragraph 1A, “daily” means over a period beginning at 5am on one day and ending immediately before 5am on the following day and “year” means a period of 12 months beginning with 1 October; and if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and Citizens Advice and Citizens Advice Scotland, the Authority is satisfied that the domestic supply security standard would be adequate if paragraph 1A were modified-

(a) by the substitution, in paragraph 1A(a) or (b), of a reference to data derived from a period of less than the 50 previous years;

(b) by the substitution in paragraph 1A(a) of a higher probability than the 1 in 20 years mentioned in that paragraph; or

(c) by the substitution in paragraph 1A(b) of a higher probability than the 1 in 50 years mentioned in that paragraph,

the Authority may, subject to paragraph 1C, make such modifications by notice which-

(i) is given and published by the Authority for the purposes of this condition generally; and

(ii) specifies the modifications and the date on which they are to take effect.

1C. Paragraph 1A(a) shall only be modified if, at the same time, the Authority makes similar modifications to-



- (a) paragraph 2(b) of Standard Special Condition A9 (Pipe-Line System Security Standards); and
- (b) sub-paragraph (b) of the definition of “security standards” in standard condition 1 (Definitions and Interpretation) of the standard conditions of gas shippers’ licences

2. Not used.

#### *Network Code*

3. Subject to paragraph 4, in respect of the pipe-line system to which this licence relates, the licensee shall, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (the “**network code**”) setting out (together with the terms of any other arrangements which the licensee considers it appropriate to set out in the document):
- (a) the terms of the arrangements made in pursuance of paragraph 1 save in so far as they relate to matters regulated by standard condition 4B (Connection Charges etc) or are contained in such an agreement, or an agreement of such a class or description, as may be designated by the Authority for the purposes of this condition; and
  - (b) the network code modification procedures established pursuant to paragraph 7 to the extent that such procedures differ from those set out in the uniform network code following Authority consent pursuant to paragraph 8

and the licensee shall furnish the Authority with a copy thereof.

4. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, it may apply to the Authority for written consent to prepare a single network code in respect of the pipe-line systems to which those licences relate, which consent may be granted subject to such conditions as the Authority may direct.
5. The network code prepared by or on behalf of the licensee shall incorporate by reference the terms of the uniform network code except where the Authority consents otherwise in writing; and references in the conditions of this licence to the network code include the uniform network code (as may be varied from time to time) as so incorporated, unless otherwise stated.

#### *Uniform Network Code*

6. The licensee shall, together with the other relevant gas transporters, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (the “**uniform network code**”) setting out:

- (a) the terms of transportation arrangements established by the licensee and other relevant gas transporters, to the extent that such terms are common, or are not in conflict, between relevant gas transporters; and
- (b) the network code modification procedures established pursuant to paragraph 7 including procedures required by paragraphs 15A to 15CD, which are, subject to paragraph 8, incorporated by reference into each network code prepared by or on behalf of each relevant gas transporter; and
- (c) the arrangements establishing a secretarial or administrative person or body, as specified in the uniform network code and the joint governance arrangements established in accordance with Standard Special Condition A12 (Joint Office Governance Arrangements) (the “**code administrator**”) and setting out the code administrator’s powers, duties and functions, which shall;
  - (i) include a requirement that, in conjunction with other code administrators, the code administrator will maintain, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
  - (ii) include facilitating the procedures established in accordance with paragraph 7; and
  - (iii) have regard to and, in particular to the extent that they are relevant be consistent with the principles contained in, the Code of Practice; and
- (d) the arrangements establishing a panel body, as specified in the uniform network code, (the “**panel**”) whose functions shall include the matters required by this condition and whose composition shall include;
  - (i) an independent chairperson approved by the Authority; and
  - (ii) a consumer representative (appointed by Citizens Advice or Citizens Advice Scotland, or any successor body) and any other consumer representative as may be appointed by the Authority,

each of whom shall have a vote as specified in the uniform network code; and

- (e) the UNC charging methodologies,

and the licensee shall furnish the Authority with a copy thereof.

- 6A. The licensee shall use reasonable endeavours to facilitate any improvements to the process by which responsibility for gas supply is transferred between gas suppliers.

### *Network Code Modification Procedures*

7. The licensee shall, together with the other relevant gas transporters, establish and operate procedures (“**network code modification procedures**”), for the modification of the uniform network code and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.
8. In accordance with paragraphs 5 and 6, unless the Authority consents otherwise in writing, the network code modification procedures shall be contained in the uniform network code.
9. The network code modification procedures shall provide for:
  - (a) without prejudice to paragraphs 15A to 15CD a mechanism by which any of
    - (i) the uniform network code; and
    - (ii) each of the network codes prepared by or on behalf of each relevant gas transporter,  
  
may be modified;
  - (aa) the provision by the code administrator of assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, small participants and consumer representatives) that request the code administrator’s assistance in relation to the uniform network code including, but not limited to, assistance with:
    - (i) drafting a modification proposal;
    - (ii) understanding the operation of the uniform network code;
    - (iii) their involvement in, and representation during, the network code modification procedures (including but not limited to panel, and/or workgroup meetings) as required by this condition, specified in the uniform network code, or described in the Code of Practice; and
    - (iv) accessing information relating to modification proposals and/or modifications;
  - (ab) in relation to proposals to modify the UNC charging methodologies, compliance (as applicable) with:
    - (i) in respect of the NTS operator only, paragraphs 7 and 8 of Standard Condition 4B (Connection Charging Methodology); and

- (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 (Charging General);
- (ac) for
  - (i) the regular convening of the charging methodology forum for the purposes of discussing further development of the UNC charging methodologies; and
  - (ii) for the provision of information by the licensee in accordance with paragraphs 8, 11 and 14 of Standard Condition 4B (Connection Charging Methodology) and paragraph 3 of Standard Special Condition A4 (Charging – general); and
  - (iii) insofar as reasonably practicable, the provision by the licensee of such other information or assistance as a materially affected party may reasonably request for the purposes of preparing a proposal to modify a UNC charging methodology;
- (b)
  - (i) the making of proposals for the modification of the uniform network code in accordance with paragraph 10(a), 10(aa), 10(ab), 15D and 15G of this condition; and/or
  - (ii) the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 11(a) of this condition;
- (c) the making of alternative modification proposals in accordance with paragraphs 10(b) and 11(b) of this condition, except in a case where the Authority otherwise directs in writing;
- (d) the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters, all relevant shippers, small participants and consumer representatives, and sending a copy of the proposal to any person who asks for one;
- (da) proper evaluation of the suitability of the significant code review or self-governance route for a particular modification proposal;
- (db) the implementation of modification proposals without the Authority’s approval in accordance with paragraph 15G (the “fast track self-governance route”);
- (e) except in respect of proposals falling within the scope of paragraph 15D and paragraph 15G, the seeking of the views of the Authority on any matter connected with any such proposal;
- (f) the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented including representations made by small participants and/or consumer representatives;

- (g) where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable;
  - (h) for each of the procedural steps outlined in this paragraph 9, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice;
  - (i) modification proposals made by the Authority or the licensee in accordance with paragraphs 9, 10(a), 10(ab) and 11(a) (which fall within the scope of paragraph 15CE):
    - (i) to be accepted into the network code modification procedures by the panel;
    - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent;
    - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 9(j);
  - (j) compliance by the licensee and (where applicable) the panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to a modification which falls within the scope of paragraph 15CE) for:
    - (i) the licensee to raise a modification proposal; and/or
    - (ii) completion of each of the procedural steps outlined in this paragraph 9 or paragraph 15CC, to the extent that they are relevant; and/or
    - (iii) implementation of a modification; and
  - (k) each of the procedural steps outlined in this paragraph 9, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 9(j).
10. In respect of the uniform network code:
- (a) subject to paragraphs 15A and 15B, a modification proposal which does not relate to a UNC charging methodology proposal may be made by the following:
    - (i) the licensee;
    - (ii) each other relevant gas transporter;
    - (iii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;

- (iv) any other relevant person (a “**third party participant**”) identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification, and/or
  - (v) the Authority (in relation only to modifications which fall within the scope of paragraph 15CE);
- (aa) a modification proposal shall be made (and not withdrawn without the Authority’s prior consent) by the licensee in accordance with a direction issued by the Authority pursuant to paragraph 15C (the “**significant code review route**”); and
- (ab) a modification proposal relating to a UNC charging methodology may only be made by the licensee and/or relevant shippers and/or DN operators as appropriate and/or the Authority (in relation only to modifications fall within the scope of paragraph 15CE) and/or a materially affected party in accordance with the provisions of the uniform network code unless otherwise permitted by the Authority;
- (b) where a modification proposal has been made under paragraphs 10(a), 10(aa) or 10(ab) of this condition (an “**original proposal**”) alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 10(a), 10(aa) or 10(ab) of this condition with the exception of the person who made the original proposal provided that;
- (i) the alternative proposal is made as described in the Code of Practice and as further specified in the uniform network code; and
  - (ii) unless an extension of time has been approved by the panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period (as specified in the uniform network code) from the date on which the original modification was proposed.
11. In respect of each network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it):
- (a) a modification proposal may be made by one of the following:
    - (i) the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates,
    - (ii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;
    - (iii) a DN operator with whom the licensee has entered into transportation arrangements in respect of the pipe-line system to which this licence relates;

- (iv) any other relevant person (a “**third party participant**”) identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; and/or
  - (v) the Authority (in relation only to modifications which fall within the scope of paragraph 15CE);
- (b) where a modification proposal has been made under paragraph 11(a) of this condition (an “**original proposal**”), alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 11(a) of this condition with the exception of the person who made the original proposal.
12. Subject to paragraphs 9, 10 and 11 of this condition, the network code modification procedures may include provisions which differ as between proposed modifications to the uniform network code and proposed modifications to each network code prepared by or on behalf of each relevant gas transporter (excluding the terms of the uniform network code incorporated within it).

*Modification of Network Code and Uniform Network Code*

13. The licensee shall not make any modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) or make or permit any modification to the uniform network code except:
- (a) to comply with paragraphs 15(b), 15CC(b)(i) or 16;
  - (b) with the written consent of the Authority; or
  - (c) in accordance with paragraph 15D (the “self-governance route”) and 15F; or
  - (d) in accordance with paragraph 15G (“the fast track self-governance route”)
- and shall furnish or cause to be furnished to the Authority a copy of any such modification made.
14. Where:
- (a) the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from the conveyance of gas through the pipe-line system to which this licence relates; and
  - (b) a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code could, consistent with the relevant objectives, appropriately deal with the matter,

the licensee shall propose such a modification in accordance with the network code modification procedures, and any requirement that a modification be such as to better facilitate the achievement of the relevant objectives shall be treated as met if the modification is consistent with those objectives.



15. Where a proposal is made in accordance with the network code modification procedures to modify the network code prepared by or on behalf of the licensee, (excluding the terms of the uniform network code incorporated within it) or the uniform network code (except in the case of a modification falling within the scope of paragraph 15CB or 15G) the licensee shall unless, in the case of a proposal falling within the scope of paragraph 15D, otherwise directed by the Authority:
- (a) as soon as is reasonably practicable in accordance with the time periods specified in the uniform network code, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice, give notice to the Authority:
    - (i) giving particulars of the proposal;
    - (ii) where an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;
    - (iii) giving particulars of any representations by:
      - (aa) the licensee,
      - (bb) any other relevant gas transporter,
      - (cc) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification,
      - (dd) in respect of modifications to a network code (excluding the terms of the uniform network code incorporated within it) only, a DN operator with whom the licensee has entered into transportation arrangements in respect of the pipe-line system to which this licence relates, or
      - (ee) any other person with respect to those proposals;
    - (iv) including a recommendation (or, in the case of a proposal falling within the scope of paragraph 15D, a determination) by the panel as to whether any proposed modification should or should not be made, and the factors which (in the opinion of the panel) justify the making or not making of a proposed modification, which shall include:
      - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and
      - (bb) where the impact is likely to be material, the evaluation of the proposed modification in respect of the relevant objectives shall include an assessment of the quantifiable impact of the proposed modification on



- greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time; and
- (v) giving such further information as may be required to be given to the Authority by the network code modification procedures; and
- (b) without prejudice to paragraph 15D comply with any direction of the Authority
- (i) to make a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under paragraph 15(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or
  - (ii) to revise and re-submit a notice provided in accordance with paragraph 15(a) to reflect the additional steps (including drafting or amending existing drafting of the amendment to the uniform network code), revisions (including timetable revisions), analysis or additional information specified in the direction to enable the Authority to form such an opinion in accordance with paragraph 15(b)(i) as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification),

### *Significant code reviews*

- 15A. Without prejudice to paragraph 15CB, the network code modification procedures shall provide that proposals for modification of the uniform network code falling within the scope of a significant code review may not be made by the parties listed in paragraph 10(a)(i-iv) and 10(ab) during the significant code review phase, except where:
- (a) the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal;
  - (b) the modification proposal is made by the licensee in accordance with:
    - (i) paragraph 9(j); or
    - (ii) paragraphs 10(aa) and 15C; or

- (c) the modification proposal is made by the Authority in accordance with paragraphs 10(a)(v), 10(ab) or 11(a)(v).

15B. The network code modification procedures shall provide that where a modification proposal is made during the significant code review phase, unless otherwise exempted by the Authority, the panel shall:

- (a) comply with the steps in paragraph 9 subject to sub-paragraph (c) of this paragraph; and
- (b) as soon as practicable notify the Authority of:
  - (i) any representations received in relation to the suitability of the significant code review route; and
  - (ii) the panel's assessment of whether the proposal falls within the scope of a significant code review and the applicability of the exceptions under paragraph 15A(a) or (b), and its reasons for that assessment; and
- (c) not proceed with the modification proposal at the Authority's direction.

15C. The network code modification procedures shall provide that if within twenty-eight (28) days after the Authority has published its significant code review conclusions:

- (a) the Authority issues directions to the licensee, the licensee shall comply with those directions and shall treat the significant code review phase as ended;
- (b) the Authority issues to the licensee a statement that no directions under sub-paragraph (a) will be issued in relation to the uniform network code, the licensee shall treat the significant code review phase as ended;
- (ba) the Authority raises a modification proposal in accordance with paragraph 10(a)(v), 10(ab) or 11(a)(v), the licensee shall treat the significant code review phase as ended;
- (bb) the Authority issues a statement that it will continue work on the significant code review, the licensee shall treat the significant code review phase as continuing until it is brought to an end in accordance with paragraph 15CA;
- (c) neither directions under sub-paragraph (a), nor a statement under sub-paragraph (b) or (bb) have been issued, nor a modification proposal under sub-paragraph (ba) has been made, the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee/relevant gas transporter(s), shall not fetter the voting rights of the members of the panel or the procedures informing the recommendation described at paragraph 15(a)(iv).

15CA. The network code modification procedures shall provide that, if the Authority issues a statement under sub-paragraph 15C(bb) and/or a direction in accordance with paragraph 15CD, the significant code review phase will be deemed to have ended when:

- (a) the Authority issues a statement that the significant code review phase has ended;
- (b) one of the circumstances in sub-paragraphs 15C(a) or (ba) occurs (irrespective of whether such circumstance occurs within twenty-eight (28) days after the Authority has published its significant code review conclusions); or
- (c) the Authority makes a decision consenting, or otherwise, to the modification of the network code pursuant to sub-paragraph 15CC(b)(i).

15CB. The network code modification procedures shall provide that, where the Authority has issued a statement in accordance with sub-paragraph 15C(bb) and/or a direction in accordance with paragraph 15CD, the Authority may submit a modification proposal for a modification falling within the scope of sub-paragraph 15CE(b) to the panel.

15CC. The network code modification procedures shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 15CB:

- (a) for the licensee to give notice to the Authority:
  - (i) including a recommendation by the panel as to whether the proposed modification should or should not be made, and the factors which (in the opinion of the panel) justify the making or not making of the proposed modification, which shall include:
    - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and
    - (bb) where the impact is likely to be material, an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;
  - (ii) giving such further information as may be required to be given to the Authority by the network code modification procedures;
- (b) for the licensee to comply with any direction of the Authority:

- (i) to make a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under sub-paragraph 15CC(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee’s duties under section 9 of the Act, the achievement of the relevant objectives; or
  - (ii) to revise and re-submit a notice provided in accordance with sub-paragraph 15CC(a) to reflect the additional steps (including drafting or amending existing drafting of the amendment to the uniform network code), revisions (including timetable revisions), analysis or additional information specified in the direction to enable the Authority to form such an opinion in accordance with sub-paragraph 15CC(b)(i) as soon after the Authority’s direction as is appropriate (taking into account the complexity, importance and urgency of the modification).
- (c) for each of the procedural steps outlined in this paragraph 15CC, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 9(j).

The Authority’s published conclusions and significant code review modification proposal shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the recommendation described at sub-paragraph 15CC(a)(i).

15CD. The network code modification procedures shall provide that, where a proposal has been raised in accordance with sub-paragraph 15C(a) or 9(j), or by the Authority under paragraph 15C(ba) and it falls within the scope of paragraph 15CE(b), the Authority may issue a direction (a “backstop direction”), which requires such proposal(s) and any alternatives to be withdrawn and which causes the significant code review phase to recommence.

15CE. Modification proposals fall within the scope of this paragraph where:

- (a) the Authority reasonably considers the modifications are necessary to comply with or implement the Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency; and/or
- (b) the modification proposal is in respect of a significant code review.

### *Self-governance*

15D. The network code modification procedures shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 15D where:

- (a)
  - (i) in the view of the panel, the modification proposal meets all of the self-governance criteria and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or
  - (ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and
- (b) unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 15D(d); and
- (c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 15D(d); and
- (d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 15D(b), determined, in accordance with paragraphs 9(d) to (f) and 15(a) of this condition as applicable, that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the uniform network code and any other modifications proposed in accordance with paragraph 10(b), better facilitate the achievement of the applicable objective(s); and
- (e)
  - (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 15D(d) in respect of such modification proposal and any alternative in accordance with paragraph 15E; or
  - (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 15E and the Authority has not quashed the panel's determination referred to at paragraph 15D(d) of this condition and either remitted the relevant modification proposal and any alternative back to the panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

15E. The network code modification procedures shall provide that those persons set out at paragraph 10 may appeal to the Authority the approval or rejection by the panel of a modification proposal and any alternative falling under the self-governance route, provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the uniform network code and, in the opinion of the Authority:

- (a)
  - (i) the appealing party is, or is likely to be, unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
  - (ii) the appeal is on the grounds that:
    - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the relevant objectives; or
    - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the relevant objectives; and
- (b) it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

15F. The network code modification procedures shall provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 15E that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal;
- (b) if the Authority quashes the panel's determination referred to at paragraph 15D(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 15E, the panel's determination of that modification proposal and any alternative referred to in paragraph 15D(d) of this condition shall be treated as a notice given to the Authority in accordance with the procedures specified in paragraph 15(a) of this condition and paragraph 15(b)(i) of this condition and the panel's determination shall be treated as its recommendation.

15G. The network code modification procedures shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 15G (the "fast track self-governance route") where:

- (a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;
  - (b) the panel unanimously determines that the modification should be made;
  - (c) parties to the uniform network code and the Authority have been notified of the proposed modification;
  - (d) none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast-track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
  - (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.
16. Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code).
17. The licensee shall:
- (a) prepare and publish a summary of (i) the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and (ii) the uniform network code as modified or changed from time to time in such form and manner as the Authority may from time to time direct;
  - (b) make available a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and the uniform network code as modified from time to time to any person who asks for one and makes such payment to (or to a person nominated by) the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof; and
  - (c) provide, or cause to be provided, a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and the uniform network code as modified from time to time on a web-site freely available to



all interested parties (the web-site address of which shall be disseminated to such interested parties).

*Determinations by the Authority*

18. Where a provision of the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code requires that, in circumstances specified in the provision, a determination by the licensee pursuant to that provision in a particular case should be such as is calculated to facilitate the achievement of the relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.
19. The network code modification procedures shall provide that any question arising under the network code modification procedures as to:
  - (a) whether a gas shipper or other person is likely to be materially affected by a proposal to modify the network code prepared by or on behalf of the licensee (excluding the terms of the uniform network code incorporated within it) and/or the uniform network code were such a proposal to be implemented; or
  - (b) whether representations relating to such a proposal and made in pursuance of the rules have been properly considered by the licensee,

shall be determined by the Authority.

*Miscellaneous*

- 19A. Without prejudice to any rights of approval, veto or direction which the Authority may have, the licensee:
  - (a) shall take all reasonable measures to secure and implement (consistently with the applicable procedures) changes to industry codes to which it is a party (or in relation to which it holds rights of amendment); and
  - (b) shall not take steps to prevent or unduly delay changes to industry codes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the uniform network code, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the uniform network code and any industry code.

20. **NOT USED**

21. **NOT USED**

22. If the Authority so consents, this condition shall have effect as if the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) referred only to gas consisting wholly or mainly of methane.
23. Any reference to “relevant shipper” in any of paragraphs 9(d), 9(f), 10(a)(iii), 11(a)(ii), or 15(a)(iii)(cc) shall, where it relates to any proposed modification which could have been proposed by a third party participant under the network code modification procedures, be treated as if it were also a reference to all such third party participants.
- 23A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and shall create or modify industry documents including, but not limited to, the uniform network code and industry codes where necessary no later than 31 March 2017.
24. (a) In this condition:

**“charging methodology forum”**

means the forum (and related arrangements) established in the manner specified in the uniform network code to facilitate meetings between the licensee, other relevant gas transporters, and any other persons whose interests are materially affected by the applicable charging methodologies for the purpose of discussing the further development of the applicable charging methodologies, as shall be specified in the uniform network code.

**“Code of Practice”**

means the Code Administration Code of Practice approved by the Authority and;

- (a) developed and maintained by the code administrators in existence from time to time; and
- (b) amended subject to the Authority’s approval from time to time; and
- (c) re-published from time to time.

**“combined pipe-line system”**

means the pipe-line system to which this licence relates and the pipe-line system of

each other relevant gas transporter taken as a whole;

**“directions”**

means, in the context of paragraph 15C, direction(s) issued following publication of significant code review conclusions which shall contain:

- (i) instructions to the licensee to make (and not withdraw, without the Authority’s prior consent) a modification proposal;
- (ii) the timetable for the licensee to comply with the Authority’s direction(s); and
- (iii) the Authority’s reasons for its direction(s).

**“fast track self-governance criteria”**

means that a proposal, if implemented,

- (a) would meet the self-governance criteria; and
- (b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:
  - (i) updating names or addresses listed in the uniform network code;
  - (ii) correcting minor typographical errors;
  - (iii) correcting formatting and consistency errors, such as paragraph numbering; or

- (iv) updating out of date references to other documents or paragraphs.

**“industry code”**

means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Electricity Act 1989 or under sections 7, 7ZA or 7A of the Act.

**“materially affected party”**

means, for the purposes of paragraphs 9(ac)(iii) and 10(ab) of this condition, any person or class of persons designated by the Authority for this purpose.

**“network code modification procedures”**

means the modification procedures referred to in paragraph 7 of this condition;

**“relevant objectives”**

means:

- (i) in respect of transportation arrangements pursuant to paragraphs 3 and 6 of this condition, in respect of matters other than those to which the UNC charging methodologies relate, the objectives set out at paragraph 1 of this condition;
- (ii) in respect of the UNC charging methodologies, only;
  - (aa) in relation to a connection charging methodology regulated by Standard Condition 4B, the “relevant objectives” listed in paragraph 5 of that condition;
  - (bb) in relation to the charging methodology regulated by Standard Special Condition

A5 the “relevant methodology objectives” listed in paragraph 5 of that condition,

as applicable; and

(iii) in relation to a proposed modification of the network code modification procedures only, the objectives set out in paragraph 9 of this condition (to the extent that those requirements do not conflict with the objectives set out in paragraph 1),

as applicable.

**“self-governance criteria”**

means a proposal that, if implemented,

- (i) is unlikely to have a material effect on:
  - (aa) existing or future gas consumers; and
  - (bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
  - (cc) the operation of one or more pipe-line system(s); and
  - (dd) matters relating to sustainable development, safety or security of supply, or the management of

market or network  
emergencies; and

(ee) the uniform network code  
governance procedures or  
the network code  
modification procedures;  
and

(ii) is unlikely to discriminate between  
different classes of parties to the  
uniform network code/relevant gas  
transporters, gas shippers or DN  
operators.

**“self-governance statement”**

means the statement made by the panel and  
submitted to the Authority in accordance with  
paragraph 15D(a)(i);

- (i) confirming that, in its opinion, the  
self-governance criteria are met and  
the modification is suitable for the  
self-governance route; and
- (ii) providing a detailed explanation of  
the panel’s reasons for that opinion.

**“significant code review”**

means a review of one or more matters which  
the Authority considers are likely to:

- (a) relate to the uniform network code  
(either on its own or in conjunction  
with other industry codes); and
- (b) be of particular significance in  
relation to its principal objective  
and/or general duties (under section  
4AA of the Act), statutory  
functions and/or relevant  
obligations arising under Retained  
EU Law ~~EU law~~; and

concerning which the Authority has issued a notice to the parties listed in paragraph 10(a)(i-iv) (among others, as appropriate) stating:

- (i) that the review will constitute a significant code review;
- (ii) the start date of the significant code review; and
- (iii) the matters that will fall within the scope of the review.

**“significant code review phase”**

means the period

- (a) commencing either:
  - (i) on the start date of a significant code review as stated by the Authority; or,
  - (ii) on the date the Authority makes a direction under paragraph 15CD (a “backstop direction”);

and

- (b) ending in one of the following ways:
  - (i) on the date on which the Authority issues a statement under paragraph 15C(b) (that no directions will be issued in relation to the uniform network code); or
  - (ii) if no statement is made under sub-paragraph



15C(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with paragraphs 10(aa) and, 15C(a), or the Authority makes a modification proposal under paragraph 15C(ba); or

- (iii) immediately under paragraph 15C(c), if neither a statement, a modification proposal, or directions are made by the Authority up to and including twenty-eight (28) days from the Authority's publication of its significant code review conclusions, or
- (iv) if a statement has been made under paragraph 15C(bb) or a direction has been made under paragraph 15CD (a "backstop direction"), on the date specified in accordance with paragraph 15CA.

**“small participant”**

means

- (v) a shipper, a supplier, or new entrant to the gas market in Great Britain that can demonstrate to the code administrator that it is resource-constrained and, therefore, is in particular need of assistance;

- (vi) any other participant or class of participant that the code administrator considers to be in particular need of assistance; and
- (c) a participant or class of participant that the Authority has notified the code administrator as being in particular need of assistance.

**“UNC charging methodologies”**

means:

- (i) in respect of the NTS operator only, the connection charging methodology regulated by Standard Condition 4B (Connection Charging Methodology);
- (ii) in respect of the NTS operator and DN operator(s), the charging methodologies regulated by;
  - (aa) Standard Special Condition A4 (Charging – General); and
  - (ii) Standard Special Condition A5 (Obligations As Regards Charging Methodology).
- (bb)

(b) Where the context requires,

- (i) references to a network code shall include the equivalent document prepared by each other relevant gas transporter (as from time to time modified) pursuant to the condition in its licence corresponding to this condition; and
- (ii) references to transportation arrangements shall include the corresponding arrangements made by each other relevant gas transporter.

For the purposes of this condition, relevant shipper shall have the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation) and references to a

relevant shipper include any gas shipper which is a relevant shipper for the purposes of the licence of any relevant gas transporter.

### **Standard Special Condition A27. Disposal of Assets and restrictions on charges over Receivables**

1. The licensee shall not dispose of or relinquish operational control over any transportation asset except in accordance with the provision of this condition.
2. Subject to paragraph 3, the licensee must not, after 1 April 2013, grant any mortgage, charge, or other form of security over any receivable except in accordance with the provisions of this condition.
3. The licensee may permit any mortgage, charge, or other form of security over any receivable in effect at the date mentioned in paragraph 2 to remain in effect and may vary its terms so long as the variation does not have the effect of materially extending the scope of the mortgage, charge, or other form of security insofar as it applies to the licensee's receivables.
4. Save as provided in paragraphs 6, 7 or 9, the licensee shall give to the Authority not less than two months' prior written notice of:
  - (a) its intention to dispose of or relinquish operational control over any transportation asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset; or
  - (b) its intention to grant any mortgage, charge, or other form of security over any receivable or class or classes of receivables together with such further information as the Authority may request relating to such receivable, class or classes of receivables or the circumstances of the intended grant of the mortgage, charge or other form of security.
5. The following provisions of this paragraph shall apply where the transportation asset comprises a significant part of an independent system operated by the licensee on the appointed day which remains an independent system:
  - (a) Save where the Secretary of State otherwise agrees, the licensee shall neither agree to dispose of, nor dispose of, its right to operate such a transportation asset unless it has put in place or procured, or will with effect from no later than the date of such disposal put in place or procure, a suitable alternative arrangement and any question arising under this sub-paragraph as to whether an alternative arrangement is or will be suitable shall be determined by the Secretary of State.

- (b) The licensee shall notify the Secretary of State no less than 60 days in advance of the proposed disposal and if the Secretary of State directs the licensee within 30 days of such notification, not to proceed with the disposal on grounds that it, and / or the person to whom the independent system will be disposed of, will not comply with such suitable alternative arrangement as the Secretary of State shall determine, the licensee shall comply with the direction.
  - (c) The licensee shall at all times comply with the alternative arrangements in respect of independent systems operated by the licensee.
6. Notwithstanding paragraphs 1 and 4(a), the licensee may dispose of or relinquish operational control over a transportation asset where:
- (a) the Authority has issued directions for the purposes of this condition generally containing a general consent (whether or not subject to conditions) to:
    - (i) transactions of a specified description; or
    - (ii) the disposal of or relinquishment of operational control over an asset of a specified description; and
  - (b) the transaction or the assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject.
7. Notwithstanding paragraphs 2 and 4(b), the licensee may grant a mortgage, charge, or other form of security over a receivable or class or classes of receivables where:
- (a) the indebtedness of the licensee which is to be secured represents the novation or rollover of existing indebtedness; and
  - (b) the proceeds of the indebtedness of the licensee which is to be secured are used to repay the existing indebtedness referred to in sub-paragraph (a).
8. For the purposes of paragraph 7, what is meant in any particular case by:
- (a) “existing indebtedness”; and
  - (b) “proceeds of the indebtedness”
- is to be treated as a question of fact.
9. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any transportation asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation or ~~directive~~ directive of the Council or Commission of the

European Union that has effect in EU law immediately before Exit Day.

10. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any transportation asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable as is specified in any notice given by the licensee under paragraph 4 where:
- (a) the Authority confirms in writing that it consents to such disposal or relinquishment or grant (which consent may be made subject to acceptance, by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify); or
  - (b) the Authority does not inform the licensee in writing of any objection to such disposal, relinquishment or grant within the notice period referred to in paragraph 4.
11. If a transportation asset comprises a significant part of the gas conveyance system in Great Britain, notwithstanding that a disposal of or relinquishment of operational control over the asset is permitted under paragraphs 6, 9 or 10, the licensee shall notify the Secretary of State at least 60 days in advance of the proposed disposal of or relinquishment of operational control over the asset; and if the Secretary of State directs the licensee, within 30 days of such notification, not to proceed with the disposal of or the relinquishment of operational control over the asset, the licensee shall comply with the direction.
12. In this condition-
- “alternative arrangements”** means, in respect of relevant premises, arrangements for the conveyance of gas to protect the interests of consumers at such premises, as determined by the Secretary of State as suitable under sub-paragraph 5(a) of this condition in this licence or the equivalent condition in the licence of any other relevant gas transporter.
- “appointed day”** means 1 March 1996.
- “disposal”** means
- (a) in relation to disposal of a transportation asset situated in England and Wales includes, any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge, or the grant of any other encumbrance, or the permitting of any encumbrance to subsist or any other disposition to a third party;
  - (b) in relation to disposal of a transportation asset situated in Scotland, includes the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security,

floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land;

and “dispose” and “cognate” expressions shall be construed accordingly;

**“receivable”**

means a contractual right to receive any sum or sums or any other financial asset from another person.

**“relevant premises”**

means

- (a) any premises connected to a system to which this licence relates which was an independent system on the appointed day and which remains an independent system; and
- (b) any premises of domestic customers subsequently connected, in pursuance of section 10 of the Act, to a system to which this licence relates which was an independent system on the appointed day and which remains an independent system.

**“relinquishment of operational control”**

includes, without limitation, entering into any agreement or arrangement whereby operational control of a transportation asset or transportation assets is not or ceases to be under the sole management of the licensee.

**“transportation asset”**

means any part of the pipe-line system to which this licence relates or any part of any facility being one –

- (a) used by the licensee only for the diurnal storage of gas or for the storage of gas in connection with the operation of its independent systems; and
- (b) required for the proper performance of its duty under section 9(1) of the Act,

together with any estate or interest in land required for the utilisation of that system or of such a facility.

**Standard Special Condition B3. Cross-border capacity**

1. The licensee shall build sufficient cross-border capacity to integrate cross-border European transmission infrastructure accommodating all economically reasonable and technically feasible

demands for capacity and taking into account security of gas supply. The terms used in this Condition shall have the meaning given to them by the Directive.

#### **Standard Special Condition B4. Notification of changes that may affect eligibility for certification**

1. Where the licensee has made or makes an application for certification under section 8D of the Act, if at any time prior to the Authority notifying the licensee of its ~~final~~ certification decision under section 8F(74) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
2. Where the licensee has been certified, if at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
3. If at any time ~~from 3 March 2013~~ the licensee knows or reasonably should know that any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a ~~third~~ country outside of the United Kingdom, or that a person from a ~~third~~ country outside of the United Kingdom has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.
4. If at any time from the relevant date the licensee exercises or is likely to exercise any shareholder right or right of appointment in the circumstances described in section 8O of the Act, the licensee shall as soon as is reasonably practicable notify the Authority in writing of the right that has been or is likely to be exercised and the effect of exercising that right.
5. Where the licensee has been certified, by 31 July of each year following certification the licensee shall provide the Authority with a written declaration, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, setting out:
  - (a) whether any event or circumstance has occurred in the previous 12 month period, or such part of that 12 month period since the licensee was certified, that may affect the licensee's eligibility for certification, and if so, the reasons it considers that the event or circumstance may affect its eligibility for certification;
  - (b) whether any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a ~~third~~ country outside the United

Kingdom, or a ~~third~~ country outside the United Kingdom has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified, ~~providing that the licensee is only required to provide a written declaration under this paragraph (b) in relation to a period that occurs after 3 March 2013;~~ and

- (c) whether the licensee has exercised any shareholder right or right of appointment in the circumstances described in section 8O of the Act in the previous 12 month period or such part of that 12 month period since the licensee was certified and if so the effect of exercising that right, providing that the licensee is only required to provide a written declaration under this paragraph (c) where it has been certified on the certification ground in section 8G(3) of the Act and in relation to a period that occurs after the relevant date.

6. In this condition:

“certified” has the same meaning as in section 8Q of the Act;

“control” has the same meaning as in section 8Q of the Act;

“person from a ~~third~~ country outside of the United Kingdom” has the same meaning as in section 8Q of the Act;

“relevant date” has the same meaning as in section 8O of the Act;

“shareholder right” has the same meaning as in section 8Q of the Act.

**Standard Special Condition B5. Regional Cooperation**

1. If the licensee is a vertically integrated undertaking it may participate in a joint undertaking established for the purposes of facilitating regional co-operation with member States ~~pursuant to Article 7 of the Directive and Article 12 of the Regulation.~~
2. The compliance officer of the licensee appointed under Standard Special Condition A34 (Appointment of Compliance Officer) shall, in addition to the duties assigned to him under that condition, monitor compliance with a compliance programme which must be established and implemented by the joint undertaking to ensure that discrimination and anti-competitive conduct is excluded.
3. In this condition:
  - “vertically integrated undertaking” has the meaning given in ~~Article 2 of the Directive~~ the Act.



### Annex 8.3.a. Gas Transporter NTS Special Conditions Part C (NGG) Modification Table

Licence condition	Current wording	Proposed change to text	Reasons for change
1	New definition	<u>Act means the Gas Act 1986.</u>	This definition has been added for clarity.
1	Industrial Emissions Costs:  means costs incurred, or expected to be incurred, by the Licensee in relation to works triggered as a result of emissions related legislation, such as Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control, and Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control);	Industrial Emissions Costs:  means costs incurred, or expected to be incurred, by the Licensee in relation to works triggered as a result of emissions related legislation, such as Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control, <u>as it has effect immediately before Exit Day</u> , and Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) <u>as it has effect immediately before Exit Day, as read with the Environmental Permitting (England and Wales) Regulations 2016/1154 and Pollution Prevention Control (Scotland) Regulations 2012.</u>	The references to both EU directives need to remain applicable as on the day immediately before Exit Day to maintain the status quo.  However, in the case of the Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control), this directive must be read in the light of the UK legislation.
3D.16 Part B – extract regarding formula $EUET_t$	<i>[we have only reproduced the relevant extract for clarity]</i>  For the purposes of paragraph 3D.6 of this condition, $OSC_t$ (£m) is derived in accordance with the following formula:	<i>[we have only reproduced the relevant extract for clarity]</i>  For the purposes of paragraph 3D.6 of this condition, $OSC_t$ (£m) is derived in accordance with the following formula:	The Carbon Emission Tax (CET) will replace the EUETS in the UK post EU Exit.

	<p><math>OSC_t = CRCEES_t + EUETS_t + NEEC_t</math></p> <p>where:</p> <p>CRCEES<sub>t</sub> means the Carbon Reduction Commitment Energy Efficiency Scheme costs (£m) incurred by the Licensee in operating its electric compressors in respect of Formula Year t.</p> <p>EUETS<sub>t</sub> means the net amount of costs (whether of a positive or negative value) incurred by the Licensee in respect of the European Union Emissions Trading System (£m) as a result of operation of its gas compressors in respect of Formula Year t.</p>	<p><math>OSC_t = CRCEES_t + \underline{EUETS_t} + \underline{CET_t} + NEEC_t</math></p> <p>where:</p> <p>CRCEES<sub>t</sub> means the Carbon Reduction Commitment Energy Efficiency Scheme costs (£m) incurred by the Licensee in operating its electric compressors in respect of Formula Year t.</p> <p><u>EUETS<sub>t</sub></u> <u>CET<sub>t</sub></u> means the net amount of costs (whether of a positive or negative value) incurred by the Licensee in respect of the <del>European Union Emissions Trading System</del> <u>Carbon Emissions Tax</u> (£m) as a result of operation of its gas compressors in respect of Formula Year t.</p>	<p>Accordingly, this amendment updates the reference to the CET.</p>
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### **Annex 8.3.b. Gas Transporter NTS Special Conditions Part C (NGG) Change Marked Licence**

We have included the sections of the licence conditions we propose to remove or amend below. Deletions are shown in strike through and new text is double underlined.

#### **Definitions in alphabetical order**

1A.1 In the Special Conditions, unless the context otherwise requires:

**Act** means the Gas Act 1986;

**Industrial Emissions Costs** means costs incurred, or expected to be incurred, by the Licensee in relation to works triggered as a result of emissions related legislation, such as Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control, as it has effect immediately before Exit Day, and Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) as it has effect immediately before Exit Day, as read with the Environmental Permitting (England and Wales) Regulations 2016/1154 and Pollution Prevention Control (Scotland) Regulations 2012;

#### **Special Condition 3D: NTS System Operator external incentives, costs and revenues**

3D.1 The purpose of this condition is to set out the scope and methods for the determination of the level of ‘external’ costs and revenues that the Licensee is entitled to recover including as a consequence of the application of a number of gas system operator external incentive schemes.

#### **PART A External cost incentive revenue (SOOIRC<sub>t</sub>)**

##### **(a) Principal formula**

3D.2 For each Formula Year  $t$ , for the purposes of Part C (Calculation of Maximum NTS System Operation Revenue (SOMR<sub>t</sub>)) of Special Condition 3A (Restriction of NTS System Operation

Revenue), the maximum external cost incentive revenue allowed to the Licensee (£m) in respect of Formula Year t (SOOIRC<sub>t</sub>) is derived in accordance with the following formula (in this condition, the “Principal Formula”):

$$\text{SOOIRC}_t = \text{SC}_t + \text{OMC}_t + \text{RBC}_t + \text{SIR}_t + \text{OMIR}_t + \text{RBIR}_t + \text{QDFIR}_t + \text{GHGIR}_t + \text{GHGC}_t + \text{MIR}_t + \text{GHGIM}_t$$

### 3D.3 In the Principal Formula:

SC<sub>t</sub> means the total costs incurred by the Licensee (£m) in Formula Year t in respect of system costs as derived in accordance with the following formula:

$$\text{SC}_t = \sum_q [\text{GC}_{t,q} + \text{ECC}_{t,q}]$$

where:

$\sum_q$  means the sum over all Relevant Quarter Years q in the relevant Formula Year t.

GC<sub>t,q</sub> means the total costs incurred by the Licensee (£m), less any revenues received from third parties in respect of Relevant Quarter Year q in Formula Year t in the management of NTS Shrinkage (which has the meaning given to that term in the network code) other than those payments included in the calculation of ECC<sub>t,q</sub>.

ECC<sub>t,q</sub> means the total costs (£m) incurred by the Licensee in respect of Relevant Quarter Year q in Formula Year t in procuring electricity for the purposes of operating Electric Compressors.

OMC<sub>t</sub> means the total costs incurred by the Licensee (£m) in respect of Formula Year t in respect of the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements (having the meaning given to those terms in the network code) including all capacity fees, gas delivery service fees, standby fees and costs associated with reprofiling, withdrawing and injecting gas into and out of gas storage facilities and costs that may arise as a result of the difference between the Operating Margins WACOG and Net Margins WACOG (as calculated in accordance with network code) in the event of service utilisation multiplied by the relevant utilisation volume.

RBC<sub>t</sub> means an amount (£m) equal to the revenue equivalent to the net residual balancing costs incurred by the Licensee in respect of Formula Year t and shall be equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount (having the meanings given to each of those terms in the network code) across all Days in Formula Year t.

- SIR<sub>t</sub>** means the NTS Shrinkage Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.4 of this condition.
- OMIR<sub>t</sub>** means the Operating Margins Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.25 of this condition.
- RBIR<sub>t</sub>** means the Residual Gas Balancing Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.26 of this condition.
- QDFIR<sub>t</sub>** means the Quality of Demand Forecasting Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.33 of this condition.
- GHGIR<sub>t</sub>** means the Greenhouse Gas Emissions Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.37 of this condition.
- GHGC<sub>t</sub>** means the efficient Greenhouse Gas Emissions Project Costs (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.38 of this condition.
- MIR<sub>t</sub>** means the Maintenance Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.40 of this condition.
- GHGIM<sub>t</sub>** means the Greenhouse Gas Emissions Investigation Mechanism value (£m) in respect of Formula Year t as derived in accordance with paragraphs 3D.46 – 3D.48 of this condition.

## **PART B NTS Shrinkage Incentive**

### **(a) The NTS Shrinkage Incentive Revenue (SIR<sub>t</sub>)**

3D.4 For the purposes of the Principal Formula, SIR<sub>t</sub> (£m) in respect of Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with the following formula:

if  $SIT_t \geq SCMR_t$ , then:

$$SIR_t = \text{Min} [USF_t \times (SIT_t - SCMR_t), CAP_t]$$

otherwise:

$$SIR_t = \text{Max} [DSF_t \times (SIT_t - SCMR_t), COL_t]$$

3D.5 In the above formula for SIR<sub>t</sub>:

**SIT<sub>t</sub>** means the NTS shrinkage incentive target (£m) as derived in accordance with paragraph 3D.6 of this condition.

**SCMR<sub>t</sub>** means the NTS shrinkage incentive cost performance measure in respect of Formula Year t as derived in accordance with the following formula:

$$SCMR_t = SC_t + MR_t$$

where:

- $SC_t$  has the meaning set out in paragraph 3D.3 of this condition.
- $MR_t$  means the net amount of revenues received by the Licensee (£m) due to the reconciliation of Measurement Errors (as defined in the network code OAD D1.2.1) and/or meter errors (as described in the network code TPD M1.9) in respect of Formula Year t commencing 1 April 2009 and each subsequent Formula Year t.
- $USF_t$  means the upside sharing factor in respect of Formula Year t as set out in Table 1 below.
- $DSF_t$  means the downside sharing factor in respect of Formula Year t as set out in Table 1 below.
- $CAP_t$  means the maximum shrinkage incentive revenue (£m) in respect of Formula Year t as set out in Table 1 below.
- $COL_t$  means the minimum shrinkage incentive revenue (£m) in respect of Formula Year t as set out in Table 1 below.

**Table 1**

	<b>For Formula Year t</b>
<b>USF<sub>t</sub></b>	0.45
<b>DSF<sub>t</sub></b>	0.45
<b>CAP<sub>t</sub> (£m)</b>	7
<b>COL<sub>t</sub> (£m)</b>	-7

**(b) The NTS Shrinkage Incentive Target**

3D.6 For the purposes of paragraph 3D.5 of this condition,  $SIT_t$  (£m) is derived in accordance with the following formula:

$$SIT_t = EPT_t + EEPTA_t + TA_t + OSC_t$$

where:

$EPT_t$	means the NTS shrinkage energy procurement target including swing allowance (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.7 of this condition.
$EEPTA_t$	means the NTS shrinkage energy efficiency performance target adjustment (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.14 of this condition.
$TA_t$	means the Transmission Network Use of System (TNUoS) charges allowance (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.15 of this condition.
$OSC_t$	means other shrinkage costs (£m) in respect of Formula Year t as derived in accordance with paragraph 0 of this condition.

**(c) Energy procurement target**

3D.7 For the purposes of paragraph 3D.6 of this condition,  $EPT_t$  (£m) is derived in accordance with the following formula:

$$EPT_t = \sum_{t,q} \left( \left( \frac{FEVT_{t,q} \times FECRP_{t,q}}{1000} \right) + \left( \frac{FGVT_{t,q} \times FGCRP_{t,q}}{100} \right) \right) + \sum_{t,w} \left( \left( \frac{PEVT_{t,w} \times PECRP_{t,w}}{1000} \right) + \left( \frac{PGVT_{t,w} \times PGCRP_{t,w}}{100} \right) \right) + SCA_t$$

where:

$$\sum_{t,q} x_{t,q}$$

means the sum of x over all Relevant Quarter Years q in Formula Year t.

$$\sum_{t,w} x_{t,w}$$

means the sum of x over all relevant weeks w in Formula Year t.

$FEVT_{t,q}$  means the forward electricity volume target (GWh) in respect of Relevant Quarter Year q of Formula Year t determined in accordance with the NTS Shrinkage Incentive Methodology Statement. For the avoidance of doubt, where relevant week w falls within two different Relevant Quarter Years q,  $FEVT_{t,q}$  for a particular Day d shall be equal to the value for the Relevant Quarter Year q within which the relevant Day d occurs.

$FECRP_{t,q}$  means the forward electricity cost reference price (£/MWh) in respect of Relevant Quarter Year q of Formula Year t as derived in accordance with paragraph 3D.11 of this condition.

$FGVT_{t,q}$  means the forward gas volume target (GWh) in respect of Relevant Quarter Year q of Formula Year t determined in accordance with the NTS Shrinkage Incentive Methodology Statement. For the avoidance

of doubt, where relevant week w falls within two different Relevant Quarter Years q,  $FGVT_{t,q}$  for a particular Day d shall be equal to the value for the Relevant Quarter Year q within which the relevant Day d occurs.

$FGCRP_{t,q}$  means the forward gas cost reference price (p/kWh) in respect of Relevant Quarter Year q of Formula Year t as derived in accordance with paragraph 3D.8 of this condition.

$PEVT_{t,w}$  means the prompt electricity volume target (GWh) in respect of relevant week w of Formula Year t as derived in accordance with the following formula:

$$PEVT_{t,w} = \sum_d \left( \left( \frac{\sum_d OEV_{t,w,d}}{7} \right) - \frac{FEVT_{t,q}}{nq} \right)$$

where:

$\sum_d x_{t,w,d}$  means the sum of x over all Days d in relevant week w in Formula Year t.

$OEV_{t,w,d}$  means the volume of electricity (GWh) used by the Licensee for the purposes of operating Electric Compressors on relevant Day d in relevant week w in Formula Year t.

$nq$  means the number of Days in the Relevant Quarter Year q in which Day d occurs.

$PECRP_{t,w}$  means the prompt electricity cost reference price (£/MWh) in respect of relevant week w of Formula Year t as derived in accordance with paragraph 3D.13 of this condition.

$PGVT_{t,w}$  means the prompt gas volume target (GWh) in respect of relevant week w of Formula Year t as derived in accordance with the following formula:

$$PGVT_{t,w} = \sum_d \left( \left( \frac{\sum_d OGV_{t,w,d}}{7} \right) - \frac{FGVT_{t,q}}{nq} \right)$$



where:

$\sum_d x_{t,w,d}$  means the sum of x over all Days in relevant week w in Formula Year t.

$OGV_{t,w,d}$  means the volume of gas (GWh) used by the Licensee for the purposes of provision of NTS Shrinkage (which has the meaning given to that term in the network code) on relevant Day d in relevant week w in Formula Year t.

nq means the number of Days in the Relevant Quarter Year q in which Day d occurs.

$PGCRP_{t,w}$  means the prompt gas cost reference price (p/kWh) in respect of relevant week w of Formula Year t as derived in accordance with paragraph 3D.10 of this condition;

$SCA_t$  means the swing cost allowance (£m) in respect of Formula Year t as derived in accordance with the following formula:

$$SCA_t = 2 \times RPIF_t$$

where:

$RPIF_t$  is the price index adjustment factor as derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence.

#### NTS Shrinkage Incentive Methodology Statement

means the NTS Shrinkage Incentive Methodology Statement provided for in section (i) of this condition.

#### (d) The NTS Shrinkage gas cost reference price

3D.8 For the purposes of paragraph 3D.7 of this condition,  $FGCRP_{t,q}$  (p/kWh) is derived in accordance with the following formula:

$$FGCRP_{t,q} = \frac{\sum_{d=a}^b GQFP_{t,q,d}}{nbq}$$

where:

$\sum_{d=a}^b$  means the sum over all business days d between business day a and business day b (both inclusive).

$GQFP_{t,q,d}$  means the mid-point of the forward bid/offer price (expressed in p/kWh) as quoted in the “ICIS Heren European Spot Gas Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a gas contract for delivery at the national balancing point (having the meaning given to that term in the published price reporting service) in respect of Relevant Quarter Year q in Formula Year t.

a means the first business day of the ninth month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

b means the last business day of the month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

nbq means the number of business days between a and b inclusive.

3D.9 For the purposes of paragraph 3D.7 of this condition,  $FGCRP_{t,q}$  in respect of Relevant Quarter Year q of Formula Year t commencing 1 April 2021 shall be determined in accordance with paragraph 3D.8 of this condition unless an alternative method is identified which has been subject to consultation with industry parties, the conclusion of which occurs prior to 1 July 2020, or where this change is made with the prior consent of the Licensee.

3D.10 For the purposes of paragraph 3D.7 of this condition,  $PGCRP_{t,w}$  (p/kWh) is derived in accordance with the following formula:

$$PGCRP_{t,w} = \frac{\sum_{d=y}^z GWFP_{t,w,d}}{nw}$$

where:

$\sum_{d=y}^z$  means the sum over all business days in the week prior to the commencement of week w of Formula Year t.

$GWFP_{t,w,d}$  means the mid-point of the forward bid/offer price (expressed in p/kWh) as quoted in the “ICIS Heren European Spot Gas Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for the “working days next week” (WDNW) gas contract for delivery at the national balancing point (having the meaning given to that term in that published price reporting service) in respect of week w of Formula Year t.

y means the first business day of the week prior to the commencement of week w in Formula Year t.

z means the last business day of the week prior to the commencement of week w in Formula Year t.

nw means the number of business days between y and z inclusive.

**(e) The NTS Shrinkage electricity cost reference price**

3D.11 For the purposes of paragraph 3D.7 of this condition,  $FECRP_{t,q}$  (£/MWh) is derived in accordance with the following formula:

$$FECRP_{t,q} = \frac{\sum_{d=a}^b EQFP_{t,q,d}}{nbqe}$$

where:

$\sum_{d=a}^b$  means the sum over all business days d between day a and day b (inclusive).

$EQFP_{t,q,d}$  means the mid-point of the forward bid/offer price (expressed in £/MWh) as quoted in the “ICIS Heren European Daily Electricity Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a baseload electricity contract for delivery in respect of Relevant Quarter Year q of Formula Year t.

a means the first business day of the ninth month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

b means the last business day of the month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

nbqe means the number of business days between a and b inclusive on which a forward bid/offer price is quoted in the “ICIS Heren European Daily Electricity Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a baseload electricity contract for delivery in respect of Relevant Quarter Year q of Formula Year t.

3D.12 For the purposes of paragraph 3D.7 of this condition, the forward electricity cost reference price (£/MWh) in respect of Relevant Quarter Year q of Formula Year t commencing 1 April 2021 ( $FECRP_{t,q}$ ) shall be determined in accordance with paragraph 3D.11 of this condition unless an alternative method is identified which has been subject to consultation with interested parties, the conclusion of which occurs prior to 1 July 2020, or where this change is made with the prior consent of the Licensee.

3D.13 For the purposes of paragraph 3D.7 of this condition,  $PECRP_{t,w}$  (£/MWh) is derived in accordance with the following formula:

$$PECRP_{t,w} = \frac{\sum_{d=y}^z EWFp_{t,w,d}}{nw}$$

where:

$\sum_{d=y}^z$  means the sum over all business days in the week prior to the commencement of week w of Formula Year t.

$EWFp_{t,w,d}$  means the mid-point of the forward bid/offer price (expressed in £/MWh) as quoted in the “ICIS Heren European Daily Electricity Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a baseload electricity contract for delivery in respect of week w of Formula Year t.

y means the first business day of the week prior to the commencement of week w in Formula Year t.

z means the last business day of the week prior to the commencement of week w in Formula Year t.

nw means the number of business days between y and z inclusive.

#### (f) The energy efficiency performance target adjustment

3D.14 For the purposes of paragraph 3D.6 of this condition  $EEPTA_t$  (£m) is derived in accordance with the following formula:

$$EEPTA_t = \frac{WGRP_t \times (EEVCVS_t + EEVCFU_t)}{100}$$

$WGRP_t$  means the weighted gas reference price (p/kWh) in respect of Formula Year t as derived in accordance with the following formula:

$$WGRP_t = \frac{\sum_q (FGVT_{t,q} \times FGCRP_{t,q}) + \sum_w (PGVT_{t,w} \times PGCRP_{t,w})}{\sum_q FGVT_{t,q} + \sum_w PGVT_{t,w}}$$

where:

$\sum_q x_{t,q}$  means the sum of x over all Relevant Quarter Years q in Formula Year t.

$\sum_w x_{t,w}$  means the sum of x over all weeks w in Formula Year t.

EEVCVS<sub>t</sub> means the energy efficiency variance for calorific value shrinkage (GWh) in respect of Formula Year t determined in accordance with the NTS Shrinkage Incentive Methodology Statement.

EEVCFU<sub>t</sub> means the energy efficiency variance for energy for gas and electrically powered gas compression equipment (GWh) used by the Licensee to increase the pressure of gas in a part of the pipeline system to which this licence relates in respect of Formula Year t determined in accordance with the NTS Shrinkage Incentive Methodology Statement.

### (g) Transmission Network Use of System (TNUoS) charges allowance

3D.15 For the purposes of paragraph 3D.6 of this condition, TA<sub>t</sub> (£m) is derived in accordance with the following formula:

$$TA_t = \frac{\sum_s (PC_{t,s} \times TDT_{t,s})}{1,000,000}$$

where:

$\sum_s x$  means the sum of x over all Relevant Compressor Sites s in respect of Formula Year t.

PC<sub>t,s</sub> means the prevailing capacity as defined in the relevant connection agreements (kW) with effect from the relevant date set out in the relevant Bilateral Agreement (or in the Use of System Supply Confirmation Notice) in respect of Relevant Compressor Site s in respect of Formula Year t.

TDT<sub>t,s</sub> means the TNUoS Demand Tariff (£/kW) in respect of Formula Year t and in respect of the charging zone in which the Relevant Compressor Site s is located, published by National Grid Electricity Transmission plc in its Statement of Use of System Charges at 1 April in Formula Year t or any other equivalent tariff or tariffs replacing it.

Bilateral Agreement and Use of System Supply Confirmation Notice

shall each have the meaning given to those terms in the electricity Connection and Use of System Code established under Condition 10 (Connection and Use of System Code (CUSC)) of the electricity transmission licence of National Grid Electricity Transmission plc.

### (h) Other shrinkage costs

3D.16 For the purposes of paragraph 3D.6 of this condition, OSC<sub>t</sub> (£m) is derived in accordance with the following formula:

$$OSC_t = CRCEES_t + \cancel{EUETS_t} - \cancel{CET_t} + NEEC_t$$

where:

$CRCEES_t$  means the Carbon Reduction Commitment Energy Efficiency Scheme costs (£m) incurred by the Licensee in operating its electric compressors in respect of Formula Year t.

$\cancel{EUETS_t} - \cancel{CET_t}$  means the net amount of costs (whether of a positive or negative value) incurred by the Licensee in respect of the ~~European Union Emissions Trading System~~ Carbon Emissions Tax (£m) as a result of operation of its gas compressors in respect of Formula Year t.

$NEEC_t$  means the non-energy costs (£m) incurred by the Licensee in respect of Formula Year t as derived in accordance with the following formula:

$$NEEC_t = DUoS_t + SMC_t$$

where:

$DUoS_t$  means the Distribution Use of System costs (£m) in respect of Formula Year t to be incurred by the Licensee in operating its Electric Compressors as derived in accordance with the following formula:

$$DUoS_t = \sum_s [kVAC_{t,s} + FC_{t,s} + CC_{t,s} + RPC_{t,s}]$$

where:

$\sum_s x$  means the sum of x over all Relevant Compressor Sites s in respect of Formula Year t.

$kVAC_{t,s}$  means the capacity charge including any excess capacity charges (£m) applicable to that Relevant Compressor Site s in respect of Formula Year t calculated as the Chargeable kVA specified in the electricity connection agreement for that site s multiplied by the relevant kVA tariff in respect of Formula Year t applicable to that site published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator.

$FC_{t,s}$  means the fixed charge (£m) applicable to that Relevant Compressor Site s in respect of Formula

Year  $t$  as published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator or any other equivalent applicable charge replacing it.

$CC_{t,s}$  means the distribution use of system consumption charge (£m) for Relevant Compressor Site  $s$  in respect of Formula Year  $t$  calculated from the half-hourly metered consumption of electricity at that site multiplied by the relevant consumption tariff in respect of Formula Year  $t$  applicable to that site as published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator or any other equivalent applicable charge replacing it.

$RPC_{t,s}$  means the reactive power charge for Relevant Compressor Site  $s$  in respect of Formula Year  $t$  as published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator or any other equivalent applicable charge replacing it.

$SMC_t$  means the supplier and market charges (£m) incurred by the Licensee in Formula Year  $t$  in the provision of NTS Shrinkage and shall include (without limitation) costs associated with trading gas and electricity and all invoiced charges for electricity procurement other than commodity charges (which cover the wholesale baseload and shape costs of electricity). These charges (without limitation) include Renewables Obligations costs, Assistance for Areas with High Electricity Distribution costs, Feed in tariff costs, Balancing Services Use of System costs, Climate Change Levy costs, supplier margins (including risk premiums), such other costs as may be levied on the market from time to time, subscription costs for published price reporting services as set out in paragraphs 3D.8, 3D.10, 3D.11 and 3D.13 of this condition, trading operations licence fees and credit management arrangement fees.

3D.17 For the avoidance of doubt for calculations relating to shrinkage electricity reference prices and electricity costs incurred by the Licensee, including (without limitation) the terms  $ECC_t$ ,  $FECRP_{t,q}$ ,  $EQFP_{t,q,d}$ ,  $PECRP_{t,w}$ ,  $EWFP_{t,w,d}$ , a Day is defined as a Settlement Day as defined in the Balancing and Settlement Code.

**(i) The NTS Shrinkage Incentive Methodology Statement**

3D.18 For the purposes of paragraph 3D.7 of this condition, the Licensee shall use reasonable endeavours to establish a methodology (“the NTS Shrinkage Incentive Methodology Statement”) showing the methods by which, and the principles on which, the data mentioned in paragraph 3D.20 of this condition are to be determined as approved by the Authority.

3D.19 Prior to the commencement of the Formula Year commencing on 1 April 2013 and each subsequent Formula Year, the Licensee shall use reasonable endeavours to publish on its website the NTS Shrinkage Incentive Methodology Statement (or Statements) to apply in respect of that Formula Year.

3D.20 The NTS Shrinkage Incentive Methodology Statement will contain:

- (a) for the purposes of paragraph 3D.7 of this condition, rules for the determination of  $FGVT_{t,q}$  and the timetable for the publication of such values;
- (b) for the purposes of paragraph 3D.7 of this condition, rules for the determination of  $FEVT_{t,q}$  and the timetable for the publication of such values;
- (c) for the purposes of paragraph 3D.14 of this condition, rules for the determination of  $EEVCS_t$  and the timetable for the publication of such values; and
- (d) for the purposes of paragraph 3D.14 of this condition, rules for the determination of  $EEVCFU_t$  and the timetable for the publication of such values.

3D.21 Unless the Authority otherwise directs in writing, the Licensee must use reasonable endeavours to publish a statement from an Independent Examiner by 31 July 2014 and by 31 July in each subsequent Formula Year in respect of Formula Year  $t-1$ , confirming that the Independent Examiner has carried out an examination of the application of the NTS Shrinkage Incentive Methodology Statement. Such examination shall include:

- (a) examination of the analysis and formulae to confirm that the methodologies and rules have been correctly applied; and
- (b) analysis of data flows to observe whether the values derived have been determined correctly in accordance with the methodology.

3D.22 Prior to the publication of the NTS Shrinkage Incentive Methodology Statement on the Licensee’s website in respect of the Formula Year commencing on 1 April 2013 and prior to any modification to the NTS Shrinkage Incentive Methodology Statement the Licensee shall:

- (a) consult interested parties on the NTS Shrinkage Incentive Methodology Statement and, where applicable, any proposed modification and allow them a period of not less than 28 days within which to make written representations; and
- (b) furnish the Authority with a report setting out:



- (1) the original NTS Shrinkage Incentive Methodology Statement and any modification proposal;
- (2) the representations (if any) made by interested parties; and
- (3) any changes to the proposed NTS Shrinkage Incentive Methodology Statement and any proposed modification as a consequence of such representations

provided that where the Licensee has complied with the requirements of sub-paragraphs (a) and (b), it will not make any modification to the NTS Shrinkage Incentive Methodology Statement where the Authority has, within 28 days of the report being furnished to it under sub-paragraph (b) given a direction to the Licensee that the modification shall not be made.

3D.23 Notwithstanding the Licensee's ability to modify the NTS Shrinkage Incentive Methodology Statement as described in paragraph 3D.22 above, the Licensee will use reasonable endeavours to undertake a full review of the NTS Shrinkage Incentive Methodology Statement such that any consequential modification of such can be achieved prior to commencement of the Formula Year commencing on 1 April 2017.

3D.24 For the purposes of paragraph 3D.21 of this condition, the following definition will apply:

Independent Examiner means a person or persons nominated by and independent of the Licensee with the skills and knowledge to undertake an examination of the application of the NTS Shrinkage Incentive Methodology Statement.

### **PART C Operating Margins Incentive Revenue (OMIR<sub>t</sub>)**

3D.25 For the purposes of the Principal Formula, OMIR<sub>t</sub>, in respect of Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 shall take the value zero.

### **PART D Residual Gas Balancing Incentive Revenue (RBIR<sub>t</sub>)**

3D.26 For the purposes of the Principal Formula, RBIR<sub>t</sub> (£m) in respect of Formula Year commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with the following formula:

$$RBIR_t = \text{Min} [RBCAP_t, \text{Max} (STIP_t, RBF_t)]$$

3D.27 In the above formula for RBIR<sub>t</sub>:

- RBCAP<sub>t</sub>** means the maximum residual gas balancing incentive revenue (£m) in respect of Formula Year t, and shall take the value £2m.
- RBF<sub>t</sub>** means the minimum residual gas balancing incentive revenue (£m) in respect of Formula Year t, and shall take the value £-3.5m.
- STIP<sub>t</sub>** means the sum of the total daily incentive payments (£million) under the residual gas balancing incentive in respect of Formula Year t as derived in accordance with paragraph 3D.28 of this condition.

**(a) The sum of the total daily incentive payments under the residual gas balancing incentive**

3D.28 For the purposes of paragraph 3D.27 of this condition, STIP<sub>t</sub> (£m) in Formula Year t is derived in accordance with the following formula:

$$STIP_t = \frac{\sum_d DPIP_{t,d} + \sum_d DLIP_{t,d}}{1,000,000}$$

where:

$\sum_d$  means the sum across all Days d in Formula Year t.

**DPIP<sub>t,d</sub>** means the daily price incentive payment (£) in respect of Day d of Formula Year t as derived in accordance with paragraph 3D.29 of this condition.

**DLIP<sub>t,d</sub>** means the daily linepack incentive payment (£) in respect of Day d of Formula Year t as derived in accordance with paragraph 3D.31 of this condition.

**(b) The daily price incentive payment**

3D.29 For the purposes of paragraph 3D.28 of this condition, DPIP<sub>t,d</sub> (£) on Day d in Formula Year t shall depend on the value of PPM<sub>t,d</sub> and is derived in accordance with Table 2 below:

**Table 2**

For Formula Year t,	
PPM <sub>t,d</sub>	DPIP <sub>t,d</sub>
$0 \leq PPM_{t,d} \leq 5$	$1,500 - (PPM_{t,d} \times 1000)$
$5 < PPM_{t,d} < 75.667$	$-3,500 - (375 \times (PPM_{t,d} - 5))$

$75.667 \leq \text{PPM}_{t,d}$	-30,000
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where:

$\text{PPM}_{t,d}$  means the daily price performance measure (%) in respect of Day d of Formula Year t as derived in accordance with paragraph 3D.30 of this condition.

**(c) The daily price performance measure**

3D.30 For the purposes of paragraph 3D.29 of this condition,  $\text{PPM}_{t,d}$  is derived in accordance with the following formula:

$$\text{PPM}_{t,d} = \left( \frac{(\text{TMIBP}_{t,d} - \text{TMISP}_{t,d})}{|\text{SAP}_{t,d}|} \right) \times 100$$

where:

$\text{TMIBP}_{t,d}$  means the price (p/kWh) which is equal to the highest market offer price (having the meaning given to that term in the network code) in relation to an eligible balancing action (having the meaning given to that term in the network code) excluding any locational actions taken in respect of Day d of Formula Year t unless the Licensee took no such eligible balancing action in respect of that Day in which case  $\text{TMIBP}_{t,d}$  shall equal  $\text{SAP}_{t,d}$ .

$\text{TMISP}_{t,d}$  means the price (p/kWh) which is equal to the lowest market offer price (having the meaning given to that term in the network code) in relation to an eligible balancing action (having the meaning given to that term in the network code) excluding any locational actions taken in respect of Day d of Formula Year t unless the Licensee took no such eligible balancing action in respect of that Day in which case  $\text{TMISP}_{t,d}$  shall equal  $\text{SAP}_{t,d}$ .

$\text{SAP}_{t,d}$  means the system average price (in p/kWh and having the meaning given to that term in the network code) in respect of Day d of Formula Year t.

**(d) The daily lineup incentive payment**

3D.31 For the purposes of paragraph 3D.28 of this condition,  $\text{DLIP}_{t,d}$  (£) in respect of Day d in Formula Year t shall depend on the value of  $\text{LPM}_{t,d}$  and is derived in accordance with Table 3 below:

**Table 3**

<b>LPM<sub>t,d</sub></b>	<b>DLIP<sub>t,d</sub></b>
$0 \leq LPM_{t,d} \leq LPUL_t$	$LDCAP_t$
$LPUL_t < LPM_{t,d} < LPT_t$	$LDCAP_t \times \left( \frac{LPT_t - LPM_{t,d}}{LPT_t - LPUL_t} \right)$
$LPM_{t,d} = LPT_t$	0
$LPLL_t > LPM_{t,d} > LPT_t$	$LDF_t \times \left( \frac{LPT_t - LPM_{t,d}}{LPT_t - LPLL_t} \right)$
$LPM_{t,d} \geq LPLL_t$	$LDF_t$

where:

$LPM_{t,d}$	means the daily linepack performance measure (mcm) in respect of Day d of Formula Year t as derived in accordance with paragraph 3D.32 of this condition.
$LPT_t$	means the linepack performance target (mcm) in respect of Formula Year t and shall take the value 2.8mcm.
$LPUL_t$	means the linepack upper band limit (mcm) in respect of Formula Year t and shall take the value 1.5mcm.
$LDCAP_t$	means the linepack daily cap amount (£) in respect of Formula Year t and shall take the value £4,000.
$LPLL_t$	means the linepack lower limit (mcm) in respect of Formula Year t and shall take the value 15mcm.
$LDF_t$	means the linepack daily floor amount (£) in respect of Formula Year t and shall take the value -£30,000.

**(e) The daily linepack performance measure**

3D.32 For the purposes of paragraph 3D.31 of this condition,  $LPM_{t,d}$  is derived in accordance with the following formula:

$$LPM_{t,d} = \text{Max} [(OLP_{t,d} - CLP_{t,d}), (CLP_{t,d} - OLP_{t,d})]$$

where:

- $OLP_{t,d}$  means the total NTS linepack in respect of Day d of Formula Year t as at 05:00 hours on Day d.
- $CLP_{t,d}$  means the total NTS linepack in respect of Day d of Formula Year t as at 05:00 hours on Day d+1.
- NTS linepack means the volume of gas within the NTS as calculated by the Licensee in accordance with the methodology proposed by the Licensee for that purpose from time to time and approved by the Authority.

## PART E Quality of Demand Forecasting Incentive Revenue (QDFIR<sub>t</sub>)

3D.33 For the purposes of the Principal Formula, QDFIR<sub>t</sub> (£m) in respect of the Formula Year t is derived in accordance with the following formula:

$$QDFIR_t = QDAIR_t + QTFIR_t$$

3D.34 In the above formula for QDFIR<sub>t</sub>:

QDAIR<sub>t</sub> means the Quality of Day Ahead Demand Forecasting Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.35 of this condition.

QTFIR<sub>t</sub> means the Quality of Two to Five Days Ahead Demand Forecasting Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.36 of this condition.

### (a) Quality of Day Ahead Demand Forecasting Incentive Revenue (QDAIR<sub>t</sub>)

3D.35 For the purposes of paragraph 3D.33 of this condition, QDAIR<sub>t</sub> (£m) allowed to the Licensee in respect of the Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with Table 4 below:

**Table 4**

For Formula Year t	
DAFIE <sub>t</sub>	QDAIR <sub>t</sub>
$0 \leq DAFIE_t < DFA_t$	10
$DFA_t \leq DAFIE_t < 7.65 + DFA_t$	$10 - (1.111x (DAFIE_t - DFA_t))$
$7.65 + DFA_t \leq DAFIE_t < 9.35 + DFA_t$	$15 - (1.7647x (DAFIE_t - DFA_t))$

9.35+ DFA <sub>t</sub> ≤ DAFIE <sub>t</sub>	-1.5
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where:

DAFIE<sub>t</sub> means the Day ahead demand forecasting incentivised average forecast error as derived in accordance with the following formula:

$$DAFIE_t = \sum_d \left( \left| DADF_d - AD_d \right| \times \frac{AD_d}{\sum_d AD_d} \right)$$

where:

$\sum_d x$  means the sum of x for all Days d in the Formula Year t.

DADF<sub>d</sub> means the Day ahead forecast NTS throughput value (mcm) for all Days in Formula Year t published by the Licensee (in accordance with the network code) on its website not later than 14:00 hours at Day ahead (d-1) in respect of each Day of Formula Year t. Where the day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours at Day ahead (d-1), the next forecast published on the Licensee's website for the Day concerned shall be used.

AD<sub>d</sub> means Actual NTS Throughput (mcm) on a given Day d, calculated five Days following the Day (d+5), on each Day of Formula Year t.

DFA<sub>t</sub> means the Day ahead demand forecasting adjustment in respect of Formula Year t as derived in accordance with the following formula:

$$DFA_t = \text{Min} [DFSA_t, 1]$$

where :

DFSA<sub>t</sub> means the demand forecasting short-cycle storage adjustment in respect of Formula Year t as derived in accordance with the following formula:

$$DFSA_t = 0.038 \times (AIC_t - AIC_{t-1}) + (DFSA_{t-1} \times DFCI_t)$$

and for the Formula Year t commencing on 1 April 2012 shall take the value zero.

where:

$AIC_t$  means the average annual capability to have gas injected (expressed in mcm/d) at Short-Cycle Storage Facilities connected to the NTS in respect of Formula Year t. In respect of the Formula Year t commencing on 1 April 2012 this shall take the value 30.3 and for all subsequent Formula Years will be derived in accordance with the following formula:

$$AIC_t = \left[ \frac{\sum_d ASF_{d,t}}{DIY_t} \right]$$

$ASF_{d,t}$  means the aggregate capability of any relevant Short-Cycle Storage Facilities connected to the NTS to have gas injected (expressed in mcm/d) on Day d of Formula Year t as specified in the storage capacity notices submitted by the relevant Storage Operator to the Licensee (and updated from time to time) pursuant to the relevant Storage Connection Agreements.

$DFCI_t$  means the Demand Forecasting Adjustment Continuous Improvement Factor and in Formula Year t shall take the value 0.5.

$DIY_t$  means the number of Days in Formula Year t.

Short-Cycle Storage Facility

means for the purposes of this condition a Storage Facility which regularly utilises its capability both to withdraw and inject gas into the facility on the same Day. The Licensee shall publish, and keep up to date, a list of sites that regularly utilise their capability both to withdraw and inject gas into the facility on the same Day on its website.

**(b) Quality of Two to Five Days Ahead Demand Forecasting Incentive Revenue (QTFIR<sub>t</sub>)**

3D.36 For the purposes of paragraph 3D.33 of this condition, QTFIR<sub>t</sub> (£m) allowed to the Licensee in respect of Formula Year t commencing on 1 April 2018 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with Table 5 below:

**Table 5**

For Formula Year t	
TFIE <sub>t</sub>	QTFIR <sub>t</sub>
0 ≤ TFIE <sub>t</sub> ≤ 15.07	10 - (0.729927 x TFIE <sub>t</sub> )
15.07 < TFIE <sub>t</sub>	-1

where:

TFIE<sub>t</sub> means the two to five Days ahead demand forecasting incentivised average forecast error as derived in accordance with the following formula:

$$TFIE_t = \frac{\sum_{i=2}^5 FE_{d-i}}{4}$$

where:

$$\sum_{i=2}^5 x_{d-i}$$

means the sum of  $x_{d-i}$  for all  $i$  from  $i = 2$  to  $i = 5$  where

for  $i = 2$  the value of  $x_{d-i}$  means the value for two Days ahead of the Day and for  $i = 5$  the value of  $x_{d-i}$  means the value for five Days ahead of the Day.

FE<sub>d-i</sub> means the average forecast error (mcm) as derived in accordance with the following formula:

$$FE_{d-i} = \sum_d \left( \frac{|DF_{d-i} - AD_d| x \frac{AD_d}{\sum_d AD_d}}{\sum_d AD_d} \right) \quad \text{for } i = 2, 3, 4 \text{ and } 5$$

where:

$\sum_d x$  means the sum of  $x$  for all Days  $d$  in the Formula Year  $t$ .

DF<sub>d-i</sub> means the demand forecast NTS throughput value (mcm) for all Days in Formula Year  $t$  published by the Licensee on its website not later than 16:00 hours at two, three, four and five Days ahead ( $d-2$ ,  $d-3$ ,  $d-4$ ,  $d-5$ ) in respect of each Day of Formula Year  $t$ . Where the two, three, four or five Days ahead



16:00 forecast NTS throughput values are not published by 16:00 hours at two, three, four or five Days ahead (d-2, d-3, d-4, d-5), the next forecast published on the Licensee’s website for the gas Day concerned shall be used.

**PART F Greenhouse Gas Emissions Incentive Revenue (GHGIR<sub>t</sub>)**

3D.37 For the purposes of the Principal Formula, GHGIR<sub>t</sub> (£m) allowed to the Licensee in respect of Formula Year t commencing on 1 April 2018 and each subsequent Formula Year t until 31 March 2021 shall depend on the value of VIPM<sub>t</sub> and is derived in accordance with Table 6 below:

**Table 6**

VIPM <sub>t</sub>	GHGIR <sub>t</sub>
VIPM <sub>t</sub> ≤ VIT <sub>t</sub>	0
VIPM <sub>t</sub> > VIT <sub>t</sub>	[(VIT <sub>t</sub> – VIPM <sub>t</sub> ) x VIRP <sub>t</sub> ]/1,000,000

where:

VIPM<sub>t</sub> means the venting incentive performance measure (in tonnes of natural gas) in respect of Formula Year t which shall be the aggregate amount of natural gas released to the atmosphere by Venting from all Relevant Compressors.

VIT<sub>t</sub> means the venting incentive target (in tonnes of natural gas) in respect of Formula Year t and shall take the value as set out in Table 7 below:

**Table 7**

Formula Year	VIT <sub>t</sub>
2018/19	2,897
2019/20	2,897
2020/21	2,897

VIRP<sub>t</sub> means the venting incentive reference price (in £/tonne of Natural Gas Vented) in respect of Formula Year t as derived in accordance with the following formula:

$$VIRP_t = NTCP_t \times VF_t$$

where:

NTCP<sub>t</sub> means the Non Traded Carbon Price (in £/tCO<sub>2</sub>e) in respect of Formula Year t as derived in accordance with the following formula:

$$NTCP_t = \frac{\sum_{m=1}^{12} [NTMCP_{m,t,y} \times IF_{m,t,y}]}{12}$$

where:

$\sum_{m=1}^{12} [x_{m,t}]$  means the sum of  $x_{m,t}$  for months  $m=1$  to  $m=12$  where  $m=1$  is the first month of Formula Year t and  $m=12$  is the last month of Formula Year t.

NTMCP<sub>m,t,y</sub> means the latest Non Traded Central Carbon Price (£/tCO<sub>2</sub>e) for month  $m$  in Formula Year t as published in advance of month  $m$  by the Department of Energy and Climate Change (or any other government department from time to time) in year  $y$  prices.

IF<sub>m,t,y</sub> means the inflation factor from year  $y$  to month  $m$  in Formula Year t as derived in accordance with the following formula:

$$IF_{m,t,y} = \frac{AI_t}{AI_y}$$

where:

AI<sub>t</sub> means the annual inflation index for Formula Year t and is equal to the arithmetic average of the retail prices index numbers published or determined with respect to each of the six months from July to December (both inclusive) in Formula Year t-1.

AI<sub>y</sub> means the annual inflation index for year  $y$  and is equal to the arithmetic average of the retail prices index numbers published or determined with respect to each of the six months from July to December (both inclusive) in year  $y-1$ .

VF<sub>t</sub> means the venting equivalent factor that represents the number of tonnes of CO<sub>2</sub> equivalent of each tonne of natural gas Vented in respect of Formula Year t shall take the value 21.

### Greenhouse Gas Emissions Project Costs (GHGC<sub>t</sub>)

3D.38 For the purposes of the Principal Formula, GHGC<sub>t</sub> shall be of a positive or zero value as directed by the Authority for the purposes of paragraph **Error! Reference source not found.** of Special Condition 8D (Requirement to undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases). In the event that the Licensee incurs costs in fulfilling its obligations pursuant to Special Condition 8D that it considers should be recovered via GHGC<sub>t</sub>, the Licensee shall by 31 July in the Formula Year t following the Formula Year in which those costs are incurred provide a statement to the Authority detailing the costs incurred in Formula Year t-1 and justification that those costs were efficiently incurred. Upon receipt of the statement, the Authority will determine the extent to which the Licensee's costs were efficiently incurred and, if appropriate, shall issue a direction specifying the value of GHGC<sub>t</sub>. The value of GHGC<sub>t</sub> in Formula Year t shall be zero or as directed by the Authority.

3D.39 For the purpose of Part F of this condition:

Relevant Compressor means gas and electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the Licensee to increase the pressure of gas in part of that pipeline system.

Venting means the release of natural gas from a Relevant Compressor as a result of:

- (a) starting a compressor;
- (b) purging a compressor;
- (c) depressurising a compressor; or
- (d) the leakage of gas through a seal around the shaft of a compressor.

### PART G The Maintenance Incentive Revenue (MIR<sub>t</sub>)

3D.40 For the purposes of the Principal Formula, MIR<sub>t</sub> (£m) allowed to the Licensee in respect of Formula Year t commencing on 1 April 2018, 1 April 2019 and 1 April 2020 is derived in accordance with the following formula:

$$\text{MIR}_t = \text{MCIR}_t + \text{MDIR}_t$$

In the above formula for MIR<sub>t</sub>:

MCIR<sub>t</sub> means, the Maintenance Change Incentive Revenue (£m) allowed to the Licensee in respect of Formula Year t as derived in accordance with paragraph 3D.41 of this condition.

MDIR<sub>t</sub> means the Maintenance Days Incentive Revenue (£m) allowed to the Licensee in respect of Formula Year t as derived in accordance with paragraph 3D.42 of this condition.

**(a) The Maintenance Change Incentive Revenue (MCIR<sub>t</sub>)**

3D.41 For the purposes of paragraph 3D.40 of this condition, MCIR<sub>t</sub> (£m) is derived in accordance with the following formula:

if  $MCICD_t < MCITD_t$ , then:

$$MCIR_t = \text{Min}[MCIPM_t \times 0.05, MCICAP_t];$$

otherwise:

$$MCIR_t = \text{Max}[MCIPM_t \times 0.05, MCIFLOOR_t]$$

In the above formula for MCIR<sub>t</sub>:

MCIPM<sub>t</sub> means the Maintenance Change Incentive Performance Measure in respect of Formula Year t as derived in accordance with the following formula:

$$MCIPM_t = MCITD_t - MCICD_t;$$

where:

MCICD<sub>t</sub> means the total number of actual Maintenance Change Days in Formula Year t.

MCITD<sub>t</sub> means the Maintenance Change Incentive Target (Days) in respect of Formula Year t as derived in accordance with the following formula:

$$MCITD_t = 0.0725 \times MW_t$$

where:

MW<sub>t</sub> means the Maintenance Workload (Days) in respect of Formula Year t and shall be equal to the number of Maintenance Plan Days in Formula Year t.

MCICAP<sub>t</sub> means the Maintenance Change Incentive cap, and in Formula Year t shall take the value of £0.5m.

MCIFLOOR<sub>t</sub> means the Maintenance Change Incentive floor, and in Formula Year t shall take the value of -£0.5m.

**(b) The Maintenance Days Incentive Revenue (MDIR<sub>t</sub>)**

3D.42 For the purpose of paragraph 3D.40 of this condition MDIR<sub>t</sub> (£m) is derived in accordance with the following formula:

if  $MD_t \leq 4$ , then:

$$MDIR_t = (MDPM_t - 6) \times 0.025 + 6 \times 0.015$$

if  $5 \leq MD_t \leq 10$ , then:

$$MDIR_t = MDPM_t \times 0.015$$

otherwise:

$$MDIR_t = \text{Max}[MDPM_t \times 0.02, MDIFLOOR_t]$$

3D.43 In the above formula for MDIR<sub>t</sub>:

MDPM<sub>t</sub> means the Maintenance Days Performance Measure in respect of Formula Year t as derived in accordance with the following formula:

$$MDPM_t = MDT_t - MD_t;$$

where:

MD<sub>t</sub> means the total number of Maintenance Plan Days, other than Advice Notice Days, on which the Licensee has undertaken Maintenance in respect of Valve Operations in Formula Year t. Where a Maintenance Plan Day is used for activities other than Valve Operations, it shall not be included within MD<sub>t</sub>.

MDT<sub>t</sub> means the target number of Maintenance Plan Days in respect of Valve Operations, other than Advice Notice Days, in the Formula Year t and shall take the value of 11 (unless otherwise directed by the Authority following notification to it by the Licensee of a change made to maintenance and operational policy to comply with new or revised safety regulations including but not limited to The Pipeline Safety Regulations 1996 (SI 1996 No 825)).

MDIFLOOR<sub>t</sub> means the Maintenance Days Incentive floor, and in Formula Year t shall take the value of -£0.5m.

3D.44 For the purpose of Part G of this condition:

Advice Notice Day shall be any Maintenance Plan Day in relation to which the Licensee has formally notified the customer of a maintenance activity to be carried out in alignment with

that customer's maintenance programme as agreed following bilateral discussions between the customer and the Licensee.

Maintenance Change Day	<p>shall be any Maintenance Plan Day, where the Licensee has initiated a change compared to the Maintenance Plan, unless:</p> <ul style="list-style-type: none"> <li>(i) the Licensee has requested the change to facilitate the requirements of another Maintenance Relevant Party;</li> <li>(ii) in the case of where the customer has cancelled an Advice Notice Day, the licensee deemed it reasonably necessary to initiate another Maintenance Plan Day for the same maintenance activity; (iii) in the case of an Advice Notice Day, the Licensee has requested the change to align its maintenance activities with a customer and the change continues to align with the same customer maintenance programme or another maintenance programme agreed with the customer; or</li> <li>(iv) in the case of an Advice Notice Day, the Advice Notice Day includes more than one maintenance activity and the Licensee has requested the change to move some of the maintenance activity to another maintenance programme agreed with the customer.</li> </ul> <p>Changes for the purposes of this term result in:</p> <ul style="list-style-type: none"> <li>(a) a change in date, including a change to the number of days that one or more Maintenance Relevant Parties are affected by a Maintenance Plan Day; and</li> <li>(b) a cancellation of a Maintenance Plan Day.</li> </ul>
Maintenance Plan	<p>shall be the year ahead plan that is made up of the notifications of Maintenance Plan Days that the Licensee sends to Maintenance Relevant Parties on or before 1 April for the Formula Year t in respect of Maintenance Plan Days.</p>
Maintenance Plan Day	<p>shall be any planned Maintenance Day included within the Maintenance Plan or any planned Maintenance Day subsequently added to the Maintenance Plan after 1 April in the relevant Formula Year that is related to one or more of the following maintenance activities (for the avoidance of doubt, (a) where a single Maintenance activity affects multiple Maintenance Relevant Parties on a day, this will</p>

be construed as a single Maintenance Plan Day; and (b) this includes Advice Notice Days):

- (a) routine maintenance (e.g. routine valve operations);
- (b) planned asset replacement and reinforcements, including but not limited to boiler replacements, work to facilitate the replacement of compressors to enable compliance with emissions related legislation and incremental capacity requirements; and
- (c) In-Line Inspections where these activities affect one or more Maintenance Relevant Parties where this party is a NTS Supply Point or an NTS Connected System Exit Point. For the avoidance of doubt, this does not include activities that cannot reasonably be planned in advance of the draft Maintenance Plan in respect of Formula Year t including work following a network gas supply emergency or force majeure, work following a fault or defect, pipeline feature inspections or any activities carried out on behalf of one or more third parties.

Maintenance Relevant Party; NTS Supply Point; NTS Connected System Exit Point; Maintenance Day	shall have the meanings given to those terms in the network code.
Valve Operations	means the work necessary to undertake an inspection of valves on the pipeline system to which this licence relates or any part or parts of it.

## Part H Interpretation

3D.45 For the purposes of this condition:

Actual NTS Throughput	means the total offtake of gas from the NTS on each day (measured in mcm), including gas offtakes by DN Operators, Storage Facilities, interconnectors and Very Large Daily Metered Consumers (VLDMC) connected to the NTS, plus the physical elements of NTS Shrinkage.
Electric Compressor	means electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the Licensee to increase the pressure of gas in part of that pipeline system.

Min [x,y]	is the value which is the lesser of x and y.
Max [x,y]	is the value which is the greater of x and y.
mcm	means millions of cubic meters of gas.
Relevant Quarter Year and q	means each quarter in Formula Year t, where a quarter is a continuous period of three calendar months and where q=1 is the period between 1 April and 30 June, q=2 is the period between 1 July and 30 September, q=3 is the period between 1 October and 31 December and q=4 is the period between 1 January and 31 March (each inclusive).
Relevant Compressor Sites	means a relevant compressor site being a location at which one or more Electric Compressors are installed.
week and w	means each week in the Formula Year t, where a week is a continuous period of seven days commencing from Monday to Sunday inclusive.
NTS shrinkage, Storage Facility, Day and VLDMC	shall have the meaning given to those terms in the network code. Where storage facilities are mentioned these are defined as a multiple storage facility.

**PART I Greenhouse Gas Emissions Investigations Mechanism (GHGIM<sub>t</sub>)**

3D.46 For the purposes of the Principal Formula, GHGIM<sub>t</sub> shall be zero, except in respect of Formula Year t commencing on 1 April 2018, when it shall be zero or as otherwise directed by the Authority for the purposes of paragraph **Error! Reference source not found.** of Special Condition 8J (Requirement to undertake greenhouse gas investigation activities)

3D.47 The Licensee shall by 31 December 2017 provide a statement to the Authority setting out:

- (a) how it has fulfilled the obligations pursuant to Special Conditions 8J; and
- (b) how the Greenhouse Gas Investigation activities will ensure long term value for money for consumers.

3D.48 Upon receipt of the statement the Authority will determine the value of GHGIM<sub>t</sub> by assessing the extent to which the Greenhouse Gas Investigation Activities will ensure long term value for money for consumers. The Authority may request further



information from the Licensee between the submission of the statement and the final determination of the GHGIMt value. If appropriate, the Authority shall issue a direction specifying the value of GHGIMt by 31 March 2018 up to a maximum of £0.5m.

3D.49 For the purposes of this condition:

Greenhouse Gas Investigation Activities	has the meaning given to the term in Special Condition 8J.
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