

Gas Transporter – GDN

**Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales & West Utilities Limited**

Special Condition 5.5 The strategic innovation fund (SIF_t)

Introduction

- 5.5.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.
- 5.5.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the NTS Operator (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 5.5.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIF_t term

- 5.5.4 The SIF_t term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the NTS Operator, or vice versa, in accordance with the direction issued for that purpose by the Authority under Part A of Special Condition 5.7 (The strategic innovation fund) in the licence held by the NTS Operator.
- 5.5.5 In each Regulatory Year, in accordance with the SIF Governance Document and appropriate provisions of the NTS Operator's licence, the Authority will calculate and then, by direction given to the licensee, specify:
 - (a) the net amount of the SIF_t term;
 - (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
 - (c) the manner in which and the timescale over which the NTS Operator is required to transfer that amount to the licensee or vice versa.
- 5.5.6 The licensee must comply with any direction issued by the Authority under paragraph 5.5.5.

Part B: The SIF Funding Return Mechanism

- 5.5.7 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 5.5.8 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee specify:
- (a) the amount of any SIF Funding Return that the licensee must pay to the NTS Operator; and
 - (b) the manner in which and the timescale over which that amount is to be paid.
- 5.5.9 The licensee must comply with any direction that is issued by the Authority under paragraph 5.5.8.

Part C: The SIF Governance Document

- 5.5.10 The licensee must comply with the SIF Governance Document
- 5.5.11 The Authority will issue and amend the SIF Governance Document by direction.
- 5.5.12 The Authority will publish the SIF Governance Document on the Authority's Website.
- 5.5.13 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:
- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of Proposed SIF Projects;
 - (b) the evaluation criteria against which the funding of such Proposed SIF Projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of Proposed SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
 - (e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
 - (f) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

- 5.5.14 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:
- (g) the text of the proposed SIF Governance Document;
 - (h) the date that the Authority intends the SIF Governance Document to come into effect; and
 - (i) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.
- 5.5.15 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended SIF Governance Document;
 - (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
 - (c) the reasons for the amendment to the SIF Governance Document; and
 - (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.
- 5.5.16 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this document comes into effect.