

Gas Transporter Licence

Special Conditions

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Special Condition 1.1 Prohibited Procurement Activities

Introduction

1.1.1 ~~1.~~—The purpose of this licence condition is to set out the restriction on the licensee regarding the acquisition of capacity rights, gas or gas derivatives.

1.1.2 The effect of this condition is to:

(a) specify the prohibited activities that the licensee is not allowed to take regarding the acquisition of gas products; and

(b) specify the conditions and exemptions where the licensee would be allowed to acquire gas products.

Part A:

~~1.1.1~~1.1.3 Subject to paragraph 29.14.3, the licensee ~~shall~~must not either on its own account or on behalf of:

(a) ~~(a)~~—any affiliate or related undertaking of the licensee; ~~and~~/or

(b) ~~(b)~~—any other business operated by the holder of this licence or its affiliates or related undertakings under a separate gas transporter licence for a relevant gas transporter,

~~purchase, enter into agreements for or otherwise acquire capacity rights, gas or gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties, and the licensee shall~~must ~~procure that anyone specified in sub-paragraphs (a) and (b) shall~~will not undertake

~~such transactions on its own account, or on behalf of the licensee, or of anyone specified in sub-paragraphs (a) and (b).~~

~~1.1.2~~1.1.4 ~~2.~~—The prohibition in paragraph 9.14.1 ~~of this condition shall~~will not apply if the transactions referred to in paragraph 9.14.1 are undertaken:

(a) ~~(a)~~—by an affiliate or related undertaking of the licensee each on its own account or on behalf of affiliates or related undertakings specified in paragraphs ~~19.14.2~~9.14.2(a) and ~~1~~(b) other than the licensee, provided that, in respect of each case, such affiliate or related undertaking holds a relevant licence, issued by the Authority, or is otherwise exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;

(b) ~~(b)~~—with the prior ~~written~~ consent of the Authority;

(c) ~~(c)~~—in accordance with the licensee's functions under the network code; or

(d) ~~(d)~~—by the licensee on its own account for the purpose of facilitating balancing management ~~and~~/or constraint management provided that such transactions:

i. ~~(i)~~—are conducted on economic and efficient terms, and

- ii. ~~(ii)~~ facilitate the economic and efficient operation of the transportation system.

Special Condition 1.2 ~~Special Condition 11H:~~ Restriction of prices in respect of Tariff Capped Metering Activities

Introduction

- 1.2.1 The purpose of this condition is to set out the tariff caps on certain metering activities. ~~Subject to Special Condition 11G (Application of Special Condition 11H), this condition shall not be in effect in this licence.~~

Part A: Principal restriction:

- 1.2.2 The licensee in setting its charges for each of its Tariff-Capped Metering Activities in any ~~FormulaRegulatory~~ Year ~~shall~~must not exceed the maximum tariff cap M_t^A in respect of that metering activity in ~~respect of that~~ ~~FormulaRegulatory~~ Year ~~t~~.

Part B: Maximum tariff caps ~~(M_t^A)~~ (M_t^A)

- 1.2.3 ~~For the purposes of paragraph 2 of this condition the~~The maximum tariff cap for each of the Tariff-Capped Metering Activities ~~in respect of Formula Year t (M_t^A)~~ ~~shall be~~is derived in the following manner:

- (a) ~~In respect of the Formula Year commencing on 1 April 2013 (t=1), the maximum tariff caps shall have the values set out in the following table:~~

$$M_t^A = M^A \times CPIH_t$$

where:

Activity	Description	Maximum tariff caps (M_t^A) (M_t^A)
1 $M^{A=1}$	Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum	£14.68
2 $M^{A=2}$	Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum	£36.73

3M^{A=3}	Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum	£500.10
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4M^{A=4}	Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter , per job undertaken	£78.67
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~~CPIH_t~~ ~~means the arithmetic average of the Consumer Prices Index including Owner Occupiers' Housing Costs between each of the twelve months from 1 April to 31 March in Regulatory Year i.~~

~~(b) For subsequent Formula Years:~~

$$\del{M_t^A = M_{t-1}^A \times RPI_t \text{ (rounded up or down to the nearest penny)}}$$

~~where:~~

RPI_t	means, for the purposes of this condition only, the RPI adjustment and shall be calculated as the arithmetic average of the retail price index numbers published or determined with respect to each of the six months from June to November in year t-1 divided by the arithmetic average of the retail price index numbers published or determined with respect to the period from June to November t-2, where t-1 is one year immediately prior to the Formula Year_t and shall be calculated in accordance with paragraph 3 of Standard Condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) of this licence except for t=1 where the RPI_t adjustment will not apply.
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Part C: Departure from published statements of charges in respect of Tariff-Capped Metering Activities.

~~1.2.4 Where This paragraph applies where:~~

- ~~(a) the licensee wishes to depart from its published statement of charges prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the provision of Tariff Capped Metering Activities by;~~
- ~~(b) the departure would include increasing its the licensee's charges to a supplier to a level which would in any given FormulaRegulatory Year result~~

in a breach of ~~its~~the license's obligations under paragraph ~~2 of this condition~~9.16.2; and

~~(c) in consequence~~the departure arises either:

- i. ~~because~~ of ~~that~~the supplier having wholly or partly disposed of its meters; or
- ii. ~~where it reasonably~~because the licensee considers ~~that~~ the departure ~~is~~ necessary to comply with ~~its~~the duty in paragraph 4 of Standard Special Condition B8 (Provision of Terms)~~);~~).

1.2.5 ~~Where paragraph 9.16.4 applies~~ the licensee ~~shall~~must make a written application to the Authority:-

- ~~(a) specifying why the change is requested, providing specification of;~~
- ~~(b) specifying~~ the metering activities to be provided to ~~that~~the supplier~~;~~;
- ~~(c) specifying~~ the proposed level of ~~charge~~charges broken down between the different ~~types~~kinds of metering activities to be provided to ~~that~~the supplier ~~together with; and~~
- ~~(e)~~(d) ~~including~~ such other information to support its application as the Authority may reasonably specify in writing.

1.2.6 ~~In paragraph 9.16.4 the reference to the statement of charges is a reference to the statement prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the provision of Tariff Capped Metering Activities.~~

~~1.2.4~~1.2.7 The licensee may, with effect from the date of the application, levy the charges specified in that application in respect of that supplier if:

- (a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent, and on the basis of such terms and conditions, as the Authority may specify; or
- (b) if the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap ~~within 90 Days after~~during the period of 90 days beginning with the date of receipt of the application.

~~1.2.5~~1.2.8 Subject to any direction given by the Authority, this condition shall cease to have effect on 31 December 2024.

1. For the purposes of this condition:

Tariff Capped Metering Activities

means those activities provided by the Licensee listed in paragraph 3 of Special Condition 11H (Restriction of prices in respect of tariff capped metering activities).

Domestic Credit Meter Installation

means a Domestic Sized Meter and associated equipment and installations (excluding housing) within the definition of a Supply Meter Installation within the meaning in paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code and is not a Prepayment Meter Installation;

Prepayment Meter Installation

means a Domestic Sized Meter and associated equipment and installations (excluding housing) comprised in a Supply Meter Installation within the meaning in paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code through which gas, which is charged for as it is used, is supplied;

Daily Metered Supply Meter Points

means a supply meter point which is read on a daily basis in accordance with paragraph 1.3.1 of section M (Supply Point Metering) or paragraphs 1.5.1(b) or 1.5.3 of section G (Supply Points) of the Network Code having effect on 1 April 2002;

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~~Special Condition 9A.~~

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Special Condition 1.3 Entry Capacity and Exit Capacity Obligations and Methodology Statements

Introduction

Introduction

1.3.1 ~~The purpose of this~~ This condition places the following obligations on the licensee:

(a) to maintain and comply with an:

- i. Entry Capacity Substitution methodology statement;
- ii. Entry Capacity Transfer and Entry Capacity Trade methodology statement;
- iii. Exit Capacity Substitution methodology statement; and
- iv. Exit Capacity Revision methodology statement;

(b) to report to the Authority; and

(c) to publish the statements referred to in paragraph 9.17.1(a).

1.3.2 ~~This condition is to set~~ also sets out:

(a) the capacity-related objectives which the statements referred to in paragraph 9.17.1(a) must facilitate; and

(b) the process for the licensee to revise the obligations of statements referred to in paragraph 9.17.1(a).

Part A: The methodology statements

1.3.3 ~~The licensee must have in place the Licensee in relation to Non-incremental Obligated Entry Capacity and Non-incremental Obligated Exit Capacity in (Part A of this condition). These obligations are to be performed in accordance with the Capacity Methodology Statements developed by the Licensee and following statements approved by the Authority in accordance with Part B of this condition. The:~~

(a) Entry Capacity Methodology Statements Substitution methodology statement;

(b) Entry Capacity Transfer and Entry Capacity Trade methodology statement;

(c) Exit Capacity Substitution methodology statement; and

(d) Exit Capacity Revision methodology statement;

1.3.11.3.4 ~~The statements required by paragraph 9.17.3 must be designed to meet~~ facilitate the achievement of the capacity-related objectives set out in Part C of this condition.

Part A: Part B: Part A: Capacity Obligation to apply the methodologies in the methodology obligations statements

~~9A.1—The Licensee~~licensee ~~must, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to:~~

~~1.3.21.3.5~~ substitute apply the methodology in the Entry Capacity Substitution methodology statement when carrying out Entry Capacity and Exit Capacity in accordance with the relevant Capacity Methodology Statements; Substitution.

~~(a)—revise Exit Capacity in accordance with the relevant Capacity Methodology Statement; and~~

~~(b)—meet any requests from a Relevant Shipper to transfer and/or trade Entry Capacity in accordance with the relevant Capacity Methodology Statements;~~

~~in each case, The licensee must apply the methodology in the relevant Entry Capacity Methodology Statements must be prepared pursuant to Part B of this condition and may be modified from time to time in accordance with Part D of this condition.~~

Part B: Transfer and Entry Capacity Methodology Statements

~~9A.2—The Licensee must:~~

~~(a)—have in place capacity methodologies (“the methodologies”) that facilitate the achievement of the capacity objectives set out in Part C of this condition;~~

~~1.3.31.3.6~~ apply the methodologies for the purposes of fulfilling its duties under the Act and obligations under this licence in respect of Trade methodology statement when carrying out Entry Capacity Transfer and Exit Entry Capacity; and Trade.

~~(b)—submit to The licensee must apply the Authority for its approval statements setting out each of methodology in the methodologies (“the Exit Capacity Methodology Statements”).~~

~~1.3.41.3.7~~ The Licensee must publish the Substitution methodology statement when carrying out Exit Capacity Methodology Statements prepared pursuant to paragraph 9A.3 of this condition and each revision thereof on its website and in such other manner as the Authority may approve. Substitution.

1.3.8 ~~Part C:~~The licensee must apply the methodology in the Exit Capacity Revision methodology statement when carrying out Exit Capacity Revision.

Part B: ~~Part C: Capacity-related~~ objectives

~~9A.3—For the purposes of Part B of this condition, the Licensee must use reasonable endeavours to ensure that the methodologies will facilitate the achievement of the following objectives (the “capacity objectives”):~~

1.3.9 The capacity-related objectives are:

~~(b)(a)~~ (a) ensuring that each of Entry Capacity Substitution ~~and~~, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the ~~Licensee’s~~licensee’s duties under the Act and, in particular, the duty to develop and maintain an efficient and economical pipeline system and its obligations under this licence;

~~(e)(b)~~ (b) in so far as is consistent with (a) above, ensuring that:

- i. Entry Capacity Substitution is effected in a manner which seeks to minimise the ~~reasonably expected costs associated with need to make an application under Special Condition 3.11 (Funded Incremental Obligated Entry Capacity, Re-opener and Price Control Deliverable)~~, taking into account the Entry Capacity that shippers have indicated that they will require in the future through making a financial commitment to the ~~Licensee~~licensee; and
- ii. Exit Capacity Substitution is effected in a manner which seeks to minimise the ~~reasonably expected costs associated with need to make an application under Special Condition 3.11 (Funded Incremental Obligated Exit Capacity, Re-opener and Price Control Deliverable)~~, taking into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the ~~Licensee~~licensee;

~~(d)(c)~~ (c) in so far as is consistent with (a) above, ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision ~~is~~are effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;

~~(e)~~ (e) in so far as is consistent with (a) above, avoiding material increases in ~~the~~ costs ~~including:~~

~~— Entry Capacity and Exit Capacity Constraint Management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the Licensee to Relevant Shippers; and~~

~~— Exit Capacity Constraint Management costs in respect of Obligated Exit Capacity previously allocated by the Licensee to DN Operators;~~

~~(e)(d)~~ (d) that are reasonably expected to be incurred by the ~~Licensee~~licensee as a result of Entry Capacity Substitution, Exit Capacity

Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision; ~~and, including:~~

- i. Entry Capacity and Exit Capacity constraint management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the licensee to Relevant Shippers; and
- ii. Exit Capacity constraint management costs in respect of Obligated Exit Capacity previously allocated by the licensee to DN Operators.

~~(f)(e)~~ in so far as is consistent with ~~(a), (c) and, where relevant,~~ (b), (c) and (d) above, facilitating effective competition between:

- i. Relevant Shippers, and to the extent relevant to Exit Capacity, DN Operators; and
- ii. Relevant Suppliers.

~~Part D: Modifications to the methodologies and Capacity Methodology Statements~~

Part D: Review and revision of the methodology statements

1.3.10 The ~~Licensee~~licensee must, if so directed by the Authority, and in any event ~~at least~~not less than once in every ~~period of two years, Regulatory Years:~~

~~(g)(a)~~ review the current methodologies and Capacity Methodology Statements, statements referred to in paragraph 9.17.3 in consultation with:

- i. Relevant Shippers;
- ~~(d)~~ interested parties; and
- ii. ~~in the case of relation to revisions concerning~~ Exit Capacity Substitution or Exit Capacity Revision, DN Operators; ~~and~~
~~and seek to make such modifications to the methodologies and Capacity Methodology Statements as it considers reasonably necessary to better facilitate the achievement of the capacity objectives.~~

iii. Unless any other interested parties;

(b) propose any revisions to the statements; and

(c) notify the Authority otherwise consents of the outcome of its review.

1.3.11 Where proposing no revisions to a statement referred to in writing, ~~the methodologies and Capacity Methodology Statements paragraph 9.17.3, the licensee must be accompanied by~~ submit to the Authority, alongside its notification, a statement from an Independent Examiner; ~~;~~

(a) confirming that they have the Independent Examiner has carried out an Examination examination, the scope and objectives of which must have been established by the Licensee and were approved by the Authority; and

~~(h)(b)~~ giving an opinion as to the extent to which the Licensee has developed a methodology that is on whether the unrevised statement

remains consistent with ~~its~~ the licensee's duties under the Act and ~~its~~ with the licensee's obligations under this licence.

~~9A.4—Subject to paragraph 9A.9, except where the Authority otherwise directs in writing, before modifying the methodologies and Capacity Methodology Statements, the Licensee must:~~

1.3.12 send ~~Before revising a statement referred to in paragraph 9.17.3, the licensee must:~~

~~(i)(a)~~ provide a copy of the proposed ~~modifications~~ revisions to the Authority and to any person who asks for one;

~~(e)~~ consult with:

- ~~—— Relevant Shippers;~~
- ~~—— interested parties; and~~
- ~~—— in the case of Exit Capacity Substitution or Exit Capacity Revision, also with DN Operators;~~

~~(j)(b)~~ _____ and allow them for a period of not less than 28 days ~~in which to make representations; and~~ with the parties referred to in paragraph 9.17.10(a);

~~(k)(c)~~ _____ within 14 days of the close of the consultation ~~required by paragraph 9A.8(b),~~ submit to the Authority a report setting out:

- i. the ~~modifications~~ revisions originally proposed;
- ii. ~~the~~ any representations made ~~to the Licensee by Relevant Shippers, interested parties (if any) and DN Operators (where relevant) and~~ and not withdrawn; and
- iii. any changes to the ~~modifications~~ revisions proposed as a result of such representations; ~~or~~ and

~~(f)~~ where ~~submit to the Authority directs that sub-paragraphs (a), (b) and (c) of this paragraph, or any of them, will not apply, comply with such other reasonable requirements as are specified in that direction.~~

~~9A.5—The Licensee will be entitled to modify the methodologies and Capacity Methodology Statements at any time pursuant to paragraph 9A.8 of this condition, save that it must not modify such statement:~~

~~(l)(d)~~ _____ if, within 2 months (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority will notify the Licensee in writing within a reasonable time, after receiving, alongside the report referred to in 9A.8(c) of this condition) under paragraph 9.17.12(c), a statement from the date on which the Authority receives the report referred to in paragraph 9A.8(c) of this condition, the Authority directs the Licensee not to make the modification; an Independent Examiner:

~~(g)~~ where there is no such direction, until the expiry of 2 months (or 3 months if the Authority intends to undertake an impact assessment, the

intent of which the Authority will notify the Licensee in writing within a reasonable time after receiving the report referred to in paragraph 9A.8(c) of this condition) from the date on which the Authority receives the report referred to in paragraph 9A.8(c) of this condition; or

(h) — where paragraph 9A.8(d) in this condition applies, before the Day specified in any direction made pursuant to that paragraph:

- i. Part E: confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
- ii. giving an opinion on whether the statement as revised would be consistent with the licensee's duties under the Act and with the licensee's obligations under this licence.

1.3.13 After receipt of the report and statement referred to in paragraphs 9.17.12(c) and (d), the Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part C:Part E: Licensee's obligation to report to the Authority

1.3.14 The Licenseelicensee must, by 31 May in each FormulaRegulatory Year, provideor by such later date as the Authority with amay direct, report to the Authority, in such format as the Authority directs, on:-

- (a) the application and implementation of each methodology relevant to, over the previous Regulatory Year, of the statements referred to in paragraph 9.17.3;
- (b) the licensee's view on the extent to which, over the previous Regulatory Year, the capacity-related objectives in Part C were achieved; and
- (c) the aggregate levels of change in capacity, over the previous Regulatory Year, as a result of Entry Capacity Transfer, Entry Capacity Trade, Entry Capacity Substitution-, Exit Capacity Substitution and Exit Capacity Substitution and Exit Capacity Revision during the previous Formula Year setting out the extent to which, in the Revision.

Part D:Part F: Licensee's opinion, the capacity objectives were achieved during that previous Formula Year. obligation to publish documents

1.3.15 ~~Special Condition 8A:~~ The licensee must publish the current versions of the statements in paragraph 9.17.3 on its website.

Part G: Derogations

1.3.16 The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition.

Special Condition 1.4 System Management Services

Introduction

Introduction

1.4.1 The purpose of this condition is to ~~ensure that the Licensee operates the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner and at all times has~~ require the licensee to have in place and ~~maintains~~maintain:

(a) a Procurement Guidelines Document;

(b) a System Management Principles Statement;

(c) a System Management Services Adjustment Methodology; and

~~(a)(d)~~ (d) a statement that complies with the requirements ~~of under~~ Part ~~B~~ below ~~E~~ in respect ~~of the Licensee's procurement of System Management Services; of that methodology.~~

~~(a) a statement that complies with the requirements of Part C below in respect of the Licensee's use of System Management Services;~~

~~(b) a methodology for determining the Licensee's charges for System Management Services that complies with the requirements of Part D below; and~~

~~(c) a statement under Part D below in respect of that methodology.~~

~~8A.1 The methodology and each of the statements:~~

~~(d) must be consistent with the Licensee's duties under Part A below, with its other duties under the Act and the conditions of this licence; and~~

~~(e) must be in a form approved by the Authority.~~

Part A: ~~Part A: General duties~~Duties under this Condition

1.4.2 The ~~Licensee shall~~licensee must operate the pipe-line system to which this licence relates in an efficient, economic and co-ordinated manner.

1.4.3 ~~In procuring or using System Management Services, the Licensee~~The licensee must not show undue preference to, or unduly discriminate between, any person or any class or classes of persons when procuring or using System Management Services.

1.4.4 The ~~Licensee's~~licensee's obligations under paragraph ~~8A.49.19.3~~ include an obligation to ensure that the following persons or undertakings ~~also~~ comply with the prohibitions imposed by that paragraph:

(a) any Affiliate or Related Undertaking of the ~~Licensee~~licensee; and

(b) any other business operated by the holder of this licence, or by any Affiliate or Related Undertaking of the ~~Licensee~~licensee, under a separate gas transporter licence for a relevant gas transporter.

Part B: ~~Part B:~~ Procurement Guidelines ~~document~~Document

- 1.4.5 The ~~Licensee~~licensee must have in place before 1 April in each ~~FormulaRegulatory~~ Year, a Procurement Guidelines ~~document~~Document which sets out:
- (a) the ~~types~~kinds of System Management Services that the ~~Licensee~~licensee may be interested in purchasing during that ~~FormulaRegulatory~~ Year; and
 - (b) the mechanisms by which the ~~Licensee~~licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.
- 1.4.6 The ~~Licensee shall promptly~~licensee must revise its Procurement Guidelines document within the relevant ~~FormulaRegulatory~~ Year- if its intentions in relation to the procurement of System Management Services change during that period.
- 1.4.7 Within one month of the start of each ~~FormulaRegulatory~~ Year, the ~~Licensee~~licensee must prepare a report, in a form approved by the Authority, about the System Management Services that the ~~Licensee~~licensee has bought or acquired in the preceding ~~FormulaRegulatory~~ Year.

Part C: ~~Part C:~~ System Management Principles Statement

- 1.4.8 The ~~Licensee~~licensee must ~~at all times~~ have in place a System Management Principles Statement which sets out the principles and criteria by which the ~~Licensee~~licensee will at different times and in different circumstances determine:
- (a) which System Management Services the ~~Licensee~~licensee will use to assist it in the operation of the ~~NTS~~National Transmission System; and
 - (b) when and for what purpose the ~~Licensee~~licensee would resort to measures not involving the use of System Management Services in the operation of the NTS.
- 1.4.9 The ~~Licensee~~licensee must ~~use reasonable endeavours to~~ comply with the provisions of the System Management Principles Statement.
- 1.4.10 As soon as practicable after the end of each ~~FormulaRegulatory~~ Year, the ~~Licensee~~licensee must prepare a report that:
- (a) describes the manner in which, and the extent to which, the ~~Licensee~~licensee has, during that year, complied with the provisions of the System Management Principles Statement; and
 - (b) states whether any modification should be made to that statement to reflect more closely the practice of the ~~Licensee~~licensee.
- 1.4.11 The report must be accompanied by a statement from an ~~independent examiner, being a person having the appropriate skills~~Independent Examiner that:

- (a) confirms that ~~they have the Independent Examiner has~~ carried out an investigation, the scope and—objectives of which were established by the ~~Licensee~~licensee and approved by the Authority; and
- (b) gives ~~their view~~the Independent Examiner's opinion on the extent to which the ~~Licensee~~licensee has complied with the ~~-~~provisions of the System Management Principles Statement.

~~8A.2~~—The ~~Licensee~~licensee may from time to time revise its ~~-~~System Management Principles Statement in accordance with the requirements ~~of under~~ Part ~~E~~below.

1.4.12 Part D.

Part D: Procedure for revising the System Management Principles Statement

1.4.13 The licensee must, if so directed by the Authority, and in any event at least once in each Regulatory Year, review its System Management Principles Statement in consultation with gas shippers, DN Operators, and other persons likely to be materially affected by the licensee's use of System Management Services.

1.4.14 The consultation must allow a period of not less than 28 days in which persons can make representations to the licensee.

1.4.15 Within seven days after completing the consultation, the licensee must send to the Authority:

(a) a report on the outcome of the review.;

(b) a statement of any proposed revisions to the System Management Principles Statement that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the principles and criteria set out at paragraph 9.19.8; and

(c) any written representations (including any proposals for revising the statement that have not been accepted by the licensee) that were received from any of the persons mentioned in paragraph 9.19.13 during the consultation process and have not been withdrawn.

1.4.16 The licensee may revise the System Management Principles Statement only in accordance with any revision that falls within the statement of proposed revisions under paragraph 9.15.15(b), and only if the Authority consents to that revision.

Part D:Part E: System Management Services Adjustment Methodology

~~1.4.12~~1.4.17 This Part ~~D~~ applies where the ~~network code~~Uniform Network Code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of Relevant System Management Services.

~~1.4.13~~1.4.18 Where this Part ~~D~~ applies, the ~~Licensee~~licensee must ~~at all times~~ have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.

~~8A.3—The System Management Services Adjustment Methodology is a methodology which the Licensee must use to determine which costs and volumes of Relevant System Management Services are to be taken into account under the network code for the purposes of determining (in whole or in part) the charges in any period, and which covers each of the kinds of System Management Services which the Licensee buys, sells, or acquires, and the mechanisms by means of which the Licensee buys, sells, or acquires them, at the time at which the methodology is established.~~

~~1.4.14~~1.4.19 ~~The Licensee must at all times have in place a System Management Services Adjustment Methodology Statement~~The licensee must have in place a System Management Services Adjustment Methodology statement that contains a complete and fully documented explanation of its System Management Services Adjustment Methodology.

~~1.4.15~~1.4.20 ~~The Licensee~~licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements ~~of under~~ Part F ~~below~~.

~~Part E: Procedure for revising the System Management Principles Statement~~

~~8A.4—The Licensee must, if so directed by the Authority, and in any event at least once in each Formula Year, review its System Management Principles Statement in consultation with gas shippers, DN operators, and other persons likely to be materially affected by the Licensee's use of System Management Services.~~

~~8A.5—The consultation must allow a period of not less than 28 days in which persons can make representations or objections to the Licensee.~~

~~8A.6—Within seven days after completing the consultation, the Licensee must send to the Authority:~~

~~(a) a report on the outcome of the review;~~

~~(b) a statement of any proposed revisions to the Systems Management Principles Statement that the Licensee (having regard to the outcome of the review) reasonably considers would better achieve the principles and criteria set out at paragraph 8A.9; and~~

~~(c) any written representations or objections (including any proposals for revising the statement that have not been accepted by the Licensee) that were received from any of the persons mentioned in paragraph 8A.19 during the consultation process and have not been withdrawn.~~

~~8A.7—The Licensee may revise the System Management Principles Statement only in accordance with any revision that falls within 8A.21 (b), and only if the Authority consents to that revision.~~

~~Part E:~~Part F: **Part F: Procedure for revising the System Management Services Adjustment Methodology**

~~1.4.16~~1.4.21 Whenever the ~~Licensee~~licensee first buys, sells, or acquires any Relevant System Management Service of a kind or under a mechanism that is not already covered by its System Management Services Adjustment Methodology, it must promptly seek to establish a revised methodology, approved by the Authority, which does cover that kind of service or that mechanism, ~~as the case may be~~.

~~1.4.17~~1.4.22 ~~Subject to paragraph 8A.25 below, before~~Before revising its System Management Services Adjustment Methodology, the ~~Licensee~~licensee must:

- (a) send a copy of its proposed revisions to the Authority and to any person who asks for a copy;
- (b) consult gas shippers and DN Operators and allow them a period of not less than 28 days in which to make representations;
- (c) within seven days of the close of the consultation ~~under this paragraph,~~ submit to the Authority a report (~~“the revisions report”~~) that sets out the revisions originally proposed, ~~the~~any representations ~~(if any)~~ received by the ~~Licensee~~licensee, and any proposed change to the original proposals.

~~8A.8—The Authority may direct that any of sub-paragraphs (a) to (c) of paragraph 8A.24 is not to apply, in which event the Licensee must comply with such other requirements as are specified in the direction.~~

~~1.4.18~~1.4.23 ~~The Licensee~~The licensee must not revise its System Management Services Adjustment Methodology:

- (a) until the end of the period of 28 days from the date on which the Authority receives the ~~revisions report; or set out in paragraph 9.19.22(c);~~
- (b) if within that period of 28 days the Authority directs the ~~Licensee~~licensee not to make the revision; or
 - (a) if paragraph 8A.25 applies, before ~~the~~any day ~~(if any)~~ specified in the Authority’s ~~direction~~derogation under ~~that paragraph.~~

~~(c) Part G; I.~~

Part F:~~Part G:~~ Availability of Licensee’s~~licensee’s~~ statements and reports

~~8A.9—This Part G applies, to the extent set out below, to the statements methodologies and reports prepared by the Licensee in accordance with Parts B to D above (each a “relevant statement” or a “relevant report”, as the case may be) and to any revisions of a statement or methodology under Part B, E, or F above (each a “relevant revision”).~~

~~1.4.19~~1.4.24 The ~~Licensee~~, ~~subject to the provisions of Part H below,~~licensee must:

- (a) ~~give the Authority a copy of each relevant statement, each relevant report, and each relevant revision; required by this condition;~~
- (b) give a copy of each ~~relevant statement~~ ~~(, report or the most recent relevant revision of it) and of each relevant report~~ to any person who asks for a copy and makes such a payment to the ~~Licensee~~licensee as it may require (which must not exceed such amount as the Authority may from time to time approve for that purpose); and
- (c) publish, by such date and in such form and manner as the Authority may approve, each ~~relevant statement, report and each relevant revision.~~

~~Part G:~~Part H: ~~Part H:~~ Exclusion of certain matters

~~1.4.20~~1.4.25 In complying with the requirements of paragraphs ~~8A.28~~(9.19.24)(b) and (c), the ~~Licensee~~licensee must have regard to the need for excluding, so far as is practicable, any matter that relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect ~~his~~that person's interests.

~~1.4.21~~1.4.26 Any question arising under paragraph ~~8A.29~~9.19.25 as to whether the publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect ~~his~~their interests is to be ~~resolved~~determined by the Authority ~~unless the Authority otherwise consents in writing.~~

~~Part H:~~Part I: ~~Part I:~~ Retention of particulars and records

~~1.4.22~~1.4.27 ~~Unless the Authority otherwise consents, the Licensee~~The licensee must maintain for a period of seven years:

- (a) particulars of all System Management Services offered to it;
- (b) particulars of all contracts for System Management Services that it——
has entered into;
- (c) records of all System Management Services called for and provided; and
- (d) records of the quantities of gas transported through the ~~NTS~~National Transmission System.

~~Part I:~~Part J: ~~Part J:~~ Derogations

~~1.4.23~~1.4.28 The ~~Authority~~licensee may ~~(after consulting the Licensee)~~ give a direction ~~that relieves it of any or all~~apply to the Authority for a derogation relieving the licensee of its obligations under this condition ~~to such extent, for such period of time, and subject to such conditions as may be specified in the direction.~~

~~Part K: Interpretation~~

~~8A.10~~ For the purposes of this condition:

Balancing Trade	means an Eligible Balancing Action within the meaning given to that term in the network code.
Relevant System Management Services	means System Management Services other than: <ul style="list-style-type: none"> (a) those that the Licensee has acquired through a Balancing Trade (if that trade was not made pursuant to any prior agreement); and (b) those that the Authority directs the Licensee not to treat as Relevant System Management Services.
System Management Services	means services in relation to the balancing of gas inputs to and gas offtakes from the NTS, and includes Balancing Trades and Balancing Trade derivatives and constraint management services.

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Special Condition 8B:

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Special Condition 1.5 Independent market for balancing

- 1.5.1 For the purposes of this licence Standard Special Condition A11 (Network Code and Uniform Network Code) ~~shall be amended by the insertion of~~ is to be treated as including the following paragraphs after paragraph 22:
- 1.5.2 ~~“22A. —~~ Where the network code makes provision for energy balancing by the licensee, as the energy balancing gas transporter, of the total system through a market established by the operator of the independent market for balancing (as such terms are defined in Standard Special Condition A16 (Independence of the Independent Market for Balancing)) then the following paragraphs 22B, 22C and 22D shall apply.”
- 1.5.3 ~~“22B. —~~ The licensee ~~shall~~must, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:
- (a) ~~(a)~~ financial resources,
 - (b) ~~(b)~~ skilled and experienced personnel, and
 - (c) ~~(c)~~ systems
- ~~adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.”~~
- 1.5.4 “22C. The requirement in paragraph 22B ~~shall~~will be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:
- (a) a person recognised by the Financial ~~Services~~Conduct Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
 - (b) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”
- 1.5.5 “22D. ~~—~~ If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee ~~shall~~must use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”

Special Condition 1.6 ~~Special Condition 8F~~: Provision of information

~~Introduction~~

Introduction

- 1.6.1 The purpose of this condition is to set out the obligations of the ~~Licensee~~licensee in respect of the publication of information on its website.

Part A: ~~Part A:~~ Licensee's obligations under this condition

- 1.6.2 The ~~Licensee shall~~licensee must use reasonable endeavours to publish information on its website in a timely manner and which will provide:
- (a) the key assumptions and analysis used by the ~~Licensee~~licensee in its development of future energy scenarios;
 - (b) reports on the ~~Licensee's~~licensee's view on what the ~~Licensee believes the~~ outlook will be for the coming summer and winter (as appropriate) for gas. ~~These reports shall, which~~ include, ~~but shall not be limited to,~~ forecast levels of demand, forecast levels of supply, information on the ~~NTS~~NTS and the overall security of supply position; and
 - (c) Operational Data which will aim to reduce market uncertainty, increase transparency and give equal access for stakeholders to the information that is available.

~~Part B: Interpretation~~

~~8F.1—For the purposes of this condition:~~

~~Operational Data~~

~~shall, unless directed by the Authority, include, but not be limited to: the National Forecast Flow Data Item or Report; the National Physical Flow Data Item or Report; the NTS Throughput Data Item or Report; and the Predicted Closing Linepack Data Item or Report.~~

~~National Forecast Flow Data Item or Report~~

~~means an hourly data item or report published by the Licensee showing, for each Day, aggregate forecast flows of gas into the NTS based on delivery flow nominations.~~

~~National Physical Flow Data Item or Report~~

~~means an hourly data item or report published by the Licensee showing, for each Day, aggregate forecast flows of gas into the NTS based on actual (aggregate) physical flows into the NTS.~~

~~NTS Throughput Data Item or Report~~

~~means a data item or report published by the Licensee showing, amongst other data, the forecast level of Actual NTS Throughput.~~

~~Predicted Closing
Linepack Data Item or
Report~~

~~means an hourly data item or report published by the Licensee showing, for each Day, the opening NTS Linepack, two projected closing NTS Linepack figures, and Forecast Total System Demand. NTS Linepack and Forecast Total System Demand have the meaning given to those terms in the network code.~~

~~Actual NTS Throughput~~

~~shall have the meaning given to that term in Part H of Special Condition 3D (NTS System Operator external incentives, costs and revenues).~~

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~~Special Condition 81:~~

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Special Condition 1.7 Development and implementation of a Demand Side Response methodology for use after a Gas Deficit WarningBalancing Notification

Introduction

~~8I.1 — The Licensee must:~~

~~develop a methodology (the “Introduction~~

1.7.1 This licence condition sets out the licensee's obligations to:

- (a) ~~have in place and maintain the Demand Side Response Methodology”) for assessing and accepting Demand Side Response Offers;~~
- (b) ~~submit where directed by the Authority, run a draft version trial of the Demand Side Response Methodology to the Authority for approval no later than 1st March 2015; with any revisions proposed under paragraph 9.22.6(b); and~~
- (a) ~~where Directed by the Authority to do so, run a trial of the approved draft Demand Side Response Methodology;~~
- (c) following such a trial, submit to the Authority a report on the outcome of the trial and a final version of the revised Demand Side Response Methodology amended to address issues identified by the Licensee licensee during the trial; ~~and.~~

Part A: ~~where Directed by the Authority to do so, implement the~~The Demand Side Response Methodology.

1.7.2 ~~Part A: Development of~~The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.

1.7.3 ~~8I.2—The Licensee~~licensee must develop ensure that the Demand Side Response Methodology in consultation with interested parties.;

~~8I.3—The Licensee must use reasonable endeavours to ensure that it develops the Demand Side Response Methodology in accordance with the principles set out in paragraph 8I.4 (the “Demand Side Response Methodology Principles”).~~

~~8I.4—The Demand Side Response Methodology Principles are that the Demand Side Methodology must:~~

- (a) ~~ensure~~ensures that any party making a Demand Side Response Offer is a party to the Uniform Network Code;

- (b) ~~set~~sets out the criteria for determining that particular “DMC” Supply Point Components are “DMC” Supply Point Components in respect of which a party may not make Demand Side Response Offers;
- (c) ~~allow~~allows the ~~Licensee~~licensee to accept Demand Side Response Offers only where a Gas ~~Deficit Warning~~Balancing Notification is in place or within ~~Stage~~stage 1 of a Gas Deficit Emergency;
- (d) ~~demonstrated~~demonstrates compatibility with existing market arrangements by setting out the manner in which any Demand Side Response Offers accepted by the ~~Licensee~~licensee are to be treated as Eligible Balancing Actions and included in the System Clearing Contract, System Marginal Buy Price and System Marginal Sell Price;
- (e) ~~promote~~promotes, and further ~~facilitate~~facilitates, parties making Demand Side Response Offers to the ~~Licensee~~licensee through open and transparent market-based arrangements;
- (f) ~~does~~ not unduly preclude the emergence of commercial interruption arrangements;
- (g) ~~minimise~~minimises distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and
- (h) ~~ensure~~ensures that Demand Side Response is procured in a manner consistent with the ~~Licensee's~~licensee's duties under the Act and, in particular, the ~~Licensee's~~licensee's obligation to operate the pipe-line system to which this licence relates in an efficient, economic and co-ordinated manner.

Part B: ~~Part B: Submission, approval and publication of~~ Revising the Demand Side Response Methodology

- 1.7.4 ~~8I.5 The draft Demand Side Response Methodology submitted by~~The licensee must at least once in every period of two Regulatory Years review, and if appropriate revise, the Demand Side Response Methodology in consultation with interested parties.
- 1.7.5 The consultation must allow a period of not less than 28 days in which interested parties can make representations to the licensee.
- 1.7.6 Within seven days after completing the consultation, the licensee must send to the Authority:

(a) a report on the outcome of the review;

(b) Licensee must be accompanied by a statement of any proposed revisions to the Demand Side Response Methodology that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology principles; and

(i)(c) any written representations (including ~~any~~ proposals for revising the statement that have not been accepted by the Licensee) that were received from interested parties during the consultation process and have not been withdrawn.

1.7.7 8I.6—The Authority will ~~make its decision on whether to either:~~

(a) approve the revisions;

(b) ~~direct the licensee to conduct a trial of the revised~~ Demand Side Response Methodology ~~within 90 days beginning on the date on which the Licensee submit to assess the Demand Side Response effectiveness of the Methodology— and any revisions proposed by the licensee under paragraph 9.22.6(b);~~

(c) ~~reject the proposed revisions; or~~

(d) ~~reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.~~

1.7.41.7.8 In considering whether to approve the ~~draft licensee's proposed revisions to the~~ Demand Side Response Methodology, the Authority ~~may~~will have regard to whether ~~it is~~they are consistent with the Demand Side Response Methodology ~~Principles~~principles.

8I.7—Where the Authority approves the draft Demand Side Response Methodology, it may ~~direct the Licensee to:~~

(a) ~~conduct a trial of the draft Demand Side Response Methodology; and~~

(b) ~~publish the draft Demand Side Response Methodology,~~

~~in accordance with Part C of this condition.~~

8I.8—If the Authority does not approve the draft Demand Side Response Methodology, it may ~~Direct the Licensee to consult with interested parties and submit to the Authority for approval a revised draft Demand Side Response Methodology in accordance with any conditions and within such a timescale as may be set out in its Direction.~~

Part C: ~~Part C:~~ Trial and implementation

8I.9—Where the Authority directs the Licensee to conduct a trial ~~pursuant to paragraph 8I.7 above, the Licensee must:~~

~~(a) conduct a trial~~ of the ~~draft~~revised Demand Side Response Methodology in order to assess ~~accordance with paragraph 9.22.7(b), the effectiveness of the Demand Side Response Methodology proposed by the Licensee; and~~

~~1.7.5~~1.7.9 licensee must within 28 days beginning on the last day of the trial, submit to the Authority a report on the outcome of the trial ~~and that includes~~ any further proposed ~~changes~~revisions to the ~~draft~~ Demand Side Response Methodology.

~~1.7.6~~1.7.10 ~~8I.10~~—Following completion of the trial and the making of submissions to the Authority pursuant to paragraph ~~8I.9 above, unless 22.9,~~ the ~~Authority directs otherwise~~licensee must within 28 days, ~~the Licensee must:~~

(a) develop appropriate modifications to the Uniform Network Code and other processes and systems to enable it to implement the revisions to the Demand Side Response Methodology;

(b) once the modifications, processes and systems are complete, implement the revisions to the Demand Side Response Methodology as soon as is reasonably practicable; and

(c) publish the final revised Demand Side Response Methodology on its website and in such other manner as the Authority may direct.

Part D: ~~Part D:~~ Exception to compliance with condition

~~1.7.7~~1.7.11 ~~8I.11~~—The ~~Licensee is not required~~licensee may apply to comply with the Authority for a derogation relieving the licensee of its obligations under this condition to such extent and subject to such conditions as the Authority may from time to time direct.

~~8I.12~~—The Authority may, ~~following consultation~~having consulted with the ~~Licensee~~licensee and interested parties, direct that the ~~Licensee~~licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.

Part E: ~~Revising the Demand Side Response Methodology~~

~~8I.13~~—The Licensee must, if so directed by the Authority, and in any event at least once in each Formula Year, review and if appropriate revise the Demand Side Response Methodology implemented in accordance with paragraph ~~8I.10~~ in consultation with interested parties.

~~8I.14~~—The consultation must allow a period of not less than 28 days in which interested parties can make representations or objections to the Licensee.

~~8I.15~~—Within seven days after completing the consultation, the Licensee must send to the Authority:

~~(a) a report on the outcome of the review;~~

~~(a) a statement of any proposed revisions to the Demand Side Response Methodology that the Licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology Principles; and~~

~~(b) any written representations or objections (including proposals for revising the statement that have not been accepted by the Licensee) that were received from interested parties during the consultation process and have not been withdrawn.~~

~~8I.16 The Licensee may revise the Demand Side Response Methodology only in accordance with any revisions set out in the statement required by paragraph 8I.15(b) and only if the Authority has not directed otherwise within 28 days of receiving the documents referred to in paragraph 8I.15 above.~~

Part F: Interpretation

8I.17 In this condition:

~~**Demand Side Response** means the provision of gas to the Licensee by a contracting party in respect of a specific "DMC" Supply Point Component.~~

~~**Demand Side Response Offer** means an offer to provide Demand Side Response.~~

~~1.7.81.7.12 Gas Deficit Warning, Eligible Balancing Actions, System Clearing Contract, System Marginal Buy Price, System Marginal Sell Price and "DMC" Supply Point Component shall bear the same meanings as are given to those terms in the Uniform Network Code.~~